

Town of Chaplin, Connecticut

Financial Statements and
Supplementary Information

Year Ended June 30, 2017

Town of Chaplin, Connecticut
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 Year Ended June 30, 2017

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INDEPENDENT AUDITORS' REPORT

The Board of Finance
Town of 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, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Chaplin, State of Connecticut, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8-14, Statement of Revenues, Expenditures and Changes in Budgetary Fund Balance – Budgetary Basis – Budget and Actual – General Fund on page 49 and the Town's Proportionate Share of Net Pension Liability –Teachers Retirement Plan on page 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Chaplin, State of Connecticut's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act, and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2017, on our consideration of the Town of Chaplin, State of Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Chaplin, State of Connecticut's internal control over financial reporting and compliance.

Michaud Accavallo Woodbridge & Cusano, LLC

Killingworth, Connecticut
November 15, 2017

Town of Chaplin, Connecticut

Management's Discussion and Analysis
June 30, 2017

Town of Chaplin, Connecticut
Management's Discussion and Analysis
June 30, 2017

Our discussion and analysis of the Town of Chaplin, Connecticut's financial performance provides an overview of the Government's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the Government's financial statements, which begin with Exhibit 1.

FINANCIAL HIGHLIGHTS

- The Town's net position increased by \$449,338 as a result of this year's operations.
- The Town's fund balance increased. The increase for all funds totaled \$115,444.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position 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. 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 Government 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 Position 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 position* and changes in them. You can think of the Town's net position—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 position 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 Position and the Statement of Activities, the Town shows the following activity:

- Governmental activities—The Town's basic services are reported here, including the general government, education, public safety, public works and interest on long-term debt. Property taxes, state and federal grants and local revenues such as fees and licenses finance most of these activities.

Town of Chaplin, Connecticut
Management's Discussion and Analysis
June 30, 2017

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 Position and the Statement of Activities) and governmental *funds* in reconciliation at the bottom of the fund financial statements.

The Town as Trustee

The Town is the trustee, or *fiduciary*, for the activity funds at the school. These funds do not belong to the Town. The Town's fiduciary activities are reported in separate Statements of Fiduciary Net Position 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 position increased by \$449,338 from a year ago—*increasing* from \$8,389,784 to \$8,839,122. Last year net position *increased* by \$324,640. Our analysis below focuses on the statement of net position (Table 1) and changes in net position (Table 2) of the Town.

Town of Chaplin, Connecticut
Management's Discussion and Analysis
June 30, 2017

Table 1
Statement of Net Position

| | 2017 | Change During Year | | 2016 |
|---|---------------------|--------------------|---------|--------------------|
| | | Dollars | Percent | |
| Current and other assets | \$ 2,427,830 | \$ 184,854 | 7.6% | \$2,242,976 |
| Capital assets | <u>7,597,498</u> | <u>297,897</u> | 3.9% | <u>7,299,601</u> |
| Total assets | <u>10,025,328</u> | <u>482,751</u> | 4.8% | <u>9,542,577</u> |
| Long-term debt outstanding | 867,846 | 5,951 | | 861,895 |
| Other liabilities | <u>318,360</u> | <u>27,462</u> | 8.6% | <u>290,898</u> |
| Total liabilities | <u>1,186,206</u> | <u>33,413</u> | 2.8% | <u>1,152,793</u> |
| Net assets: | | | | |
| Invested in capital assets, net of related debt | 7,521,698 | 320,872 | 4.3% | 7,200,826 |
| Restricted | 55,986 | (63,966) | -114.3% | 119,952 |
| Unrestricted | <u>1,261,438</u> | <u>192,432</u> | 15.3% | <u>1,069,006</u> |
| Total net position | <u>\$ 8,839,122</u> | <u>\$ 449,338</u> | 5.1% | <u>\$8,389,784</u> |

Table 2
Changes in Net Position (on Exhibit 2)

| | 2017 | Change During Year | | 2016 |
|-------------------------------------|-------------------|--------------------|---------|-------------------|
| | | Dollars | Percent | |
| Revenues | | | | |
| Program revenues: | | | | |
| Charges for services | \$ 138,975 | \$ 3,762 | 2.78% | \$ 135,213 |
| Operating grants and contributions | 2,831,207 | 141,451 | 5.26% | 2,689,756 |
| Capital grants and contributions | 345,782 | (341,095) | -49.66% | 686,877 |
| General revenues: | | | | |
| Property taxes | 5,760,585 | 142,664 | 2.54% | 5,617,921 |
| Grants and contributions | 213,260 | 53,543 | 33.52% | 159,717 |
| Interest and investment earnings | <u>5,607</u> | <u>3,261</u> | 139.00% | <u>2,346</u> |
| Total revenues | <u>9,295,416</u> | <u>3,586</u> | 0.04% | <u>9,291,830</u> |
| Expenses | | | | |
| Program expenses | | | | |
| General government | 891,210 | (494,251) | -35.67% | 1,385,461 |
| Education | 7,054,442 | 311,057 | 4.61% | 6,743,385 |
| Public Safety | 339,687 | (2,519) | -0.74% | 342,206 |
| Public works | 554,169 | 73,990 | 15.41% | 480,179 |
| Debt service | <u>6,570</u> | <u>(9,389)</u> | -58.83% | <u>15,959</u> |
| Total expenses | <u>8,846,078</u> | <u>(121,112)</u> | -1.35% | <u>8,967,190</u> |
| Increase (decrease) in net position | <u>\$ 449,338</u> | <u>\$ 124,698</u> | 38.41% | <u>\$ 324,640</u> |

Town of Chaplin, Connecticut
Management's Discussion and Analysis
June 30, 2017

Property taxes comprise 62% of the total government-wide revenues. As a percentage of total revenue, this is comparable to last year. Property tax revenue increased by \$142,664 from \$5,617,921 in 2016 to \$5,760,583 in 2017. Capital grants and contributions decreased \$341,095 from 2016 to \$345,782 in 2017, attributable entirely to a decrease in the small town economic assistance program from the Office of Policy and Management related to the Town's road improvement projects. Operating grants and contributions increased \$141,451 from \$2,689,756 in 2016 to \$2,831,207 in 2017. This increase was accompanied by an increase of \$53,543 in grants and contributions from \$159,717 in 2016 to \$213,260 in 2017.

The Town's total revenue increased less than 1% (\$3,586) this year over last year. Most of this was due to the increase in property taxes, operating grant and contributions revenue, which was offset by a 49.66% (\$341,095) decrease in capital grants and contributions.

Total expenses decreased by a net amount of \$61,534, less than 1%. The decrease is primarily due to a decrease in general government spending of \$494,251 (35.67%) and public safety spending of \$2,519 (0.74%). These decreases were offset by an increase in education spending of \$370,635 (5.50%) and public works spending of \$73,990 (15.41%).

Governmental Activities

Table 3 presents the cost of each of the Town's governmental programs as well as each governmental program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

Table 3
Governmental Type Activities

| | <u>Total Cost of Services</u> | | Incr. Decr. | <u>Net Cost of Services</u> | | Incr. Decr. |
|-------------------------|-------------------------------|--------------------|--------------------|-----------------------------|--------------------|------------------|
| | <u>2017</u> | <u>2016</u> | | <u>2017</u> | <u>2016</u> | |
| Governmental Activities | | | | | | |
| General government | \$ 891,210 | \$1,385,461 | \$(494,251) | \$ 659,756 | \$ 804,571 | \$(144,815) |
| Education | 7,054,442 | 6,743,385 | 311,057 | 4,167,948 | 4,035,221 | 132,727 |
| Public safety | 339,687 | 342,206 | (2,519) | 336,495 | 313,386 | 23,109 |
| Public works | 554,169 | 480,179 | 73,990 | 359,345 | 286,207 | 73,138 |
| Debt service | <u>6,570</u> | <u>15,959</u> | <u>(9,389)</u> | <u>6,570</u> | <u>15,959</u> | <u>(9,389)</u> |
| Totals | <u>\$8,846,078</u> | <u>\$8,967,190</u> | <u>\$(121,112)</u> | <u>\$5,530,114</u> | <u>\$5,455,344</u> | <u>\$ 74,770</u> |

The total cost of the Government decreased 1.35% from last year due primarily to decreases in general government (35.67%), public safety (0.74%) and interest on debt (58.83%). These decreases were offset by an increase in education spending of (4.61%) and public works of (15.41%).

Town of Chaplin, Connecticut
Management's Discussion and Analysis
June 30, 2017

THE TOWN'S FUNDS

The year showed an increase in net position of \$449,338 in the government-wide statements (Exhibits 1 and 2) on the full accrual basis measuring long-term health. The town showed an increase in the governmental funds of \$115,444 as presented in Exhibit 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 position 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 position on the government-wide statements.

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

- The General Fund's fund balance increased by \$57,808. There was a planned reduction in equity of \$347,456, used to fund capital projects.
- The Capital Improvement Program continued to be used for capital projects. A summary of the year's transactions, by project can be found in Schedule 2 of the Supplementary Schedules to 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 of 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 pull appropriations from one department that needs additional funding from other departments that might have excess funding. State Statutes allow these transfers to be made by the Board of Finance without a Town Meeting.

Town of Chaplin, Connecticut
Management's Discussion and Analysis
June 30, 2017

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

Table 4
General Fund - Budget Summary

| Revenues | Final Budget | Actual | Variance |
|--|-------------------|-------------------|-------------------|
| Property Taxes | 5,677,145 | 5,702,017 | \$ 24,872 |
| Reimbursements in Lieu of taxes | 217,171 | 201,461 | (15,710) |
| Intergovernmental -Operations | 189,102 | 199,690 | 10,588 |
| Intergovernmental -Education | 1,901,596 | 1,877,020 | (24,576) |
| Receipts for Town Services | 39,050 | 49,547 | 10,497 |
| Other Funds | 19,900 | 31,116 | 11,216 |
| Total Revenues | 8,043,964 | 8,060,851 | 16,887 |
| Expenditures | | | |
| General Government | 1,824,367 | 1,704,326 | (120,041) |
| Education | 5,908,535 | 5,908,535 | - |
| Debt Service | 29,545 | 29,545 | - |
| Transfer to Capital Improvement Program | 14,911 | 13,181 | (1,730) |
| | <u>7,777,358</u> | <u>7,655,587</u> | <u>(121,771)</u> |
| Excess (Deficiencies) of Revenues | | | |
| Over Expenditures | <u>\$ 266,606</u> | <u>\$ 405,264</u> | <u>\$ 138,658</u> |

Significant variances are summarized as follows:

- Tax Collections in the fund financial statements do not include monies collected from the State of Connecticut. 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 taxpayers paid their taxes in the year in which they were due. The Town collected 98.1% of the current year tax levy during the year. This is slightly more than the budgeted collection rate of 97.5% (the average collection rate over the last four years). The Town collected \$50,463 more than budgeted in property taxes. This was offset by back tax collections of \$25,591 under budget and interest and lien fees of \$15,961 over budget. Total property taxes were \$24,872 over budget.

- General Government expenditures were \$120,041 under budget. For further details, see the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.

Town of Chaplin, Connecticut
Management's Discussion and Analysis
June 30, 2017

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2017, the Town had \$7,597,498 in capital assets (net of accumulated depreciation). This amount represents a net increase (including additions and deductions) of \$297,897 from last year. In total, there were additional assets of \$606,119. The additions consist of \$13,860 for machinery and equipment, \$44,157 for buildings and \$548,102 for infrastructure. More detailed information about the Town's capital assets is presented in Note 6 to the financial statements.

Debt

At year-end, the Town had \$75,800 in bonds and notes outstanding. This is a decrease of \$21,907 from last year. The Town's general obligation bond rating continues to carry 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 2017 budget and tax rates. The economy is still in a recession, unemployment, foreclosures are high, and the real estate market has not bounced back. Interest rates continue to be 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 reduces the income from building permits, conveyance taxes, refinancing and recording fees. The State provides most of the intergovernmental revenues. The State has level funded in some areas and reduced funding in other areas to the municipalities.

These indicators were considered when adopting the General Fund budget for 2017. The Board of Finance elected to keep the mill rate at 35.05, the same as the prior year.

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, 495 Phoenixville Road, Chaplin, CT 06235.

Town of Chaplin, Connecticut

Basic Financial Statements

June 30, 2017

Town of Chaplin
Statement of Net Position
June 30, 2017

| | Governmental Activities |
|---|----------------------------|
| ASSETS | |
| Cash and equivalents | \$ 2,126,477 |
| Receivables | |
| Taxes, net | 144,145 |
| Accounts, net | 48,707 |
| Intergovernmental | 106,937 |
| Inventories | 1,564 |
| Capital assets | |
| Nondepreciable | 355,558 |
| Depreciable, net of accumulated depreciation | 7,241,940 |
| Total Assets | \$ 10,025,328 |
| LIABILITIES | |
| Accounts payable | \$ 146,136 |
| Accrued Payroll and related | 152,181 |
| Non-current liabilities | |
| Due within one year | 56,088 |
| Due in more than one year | 811,758 |
| Total Liabilities | 1,186,206 |
| NET POSITION | |
| Invested in capital assets, net of related debt | 7,521,698 |
| Restricted | |
| Expendable | 47,346 |
| Nonexpendable | 8,640 |
| Unrestricted | 1,261,438 |
| Total Net Position | \$ 8,839,122 |

Town of Chaplin, Connecticut
 Statement of Activities
 June 30, 2017

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets |
|-------------------------------|-----------------------|-------------------------|--|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| Governmental activities | | | | | |
| General Government | \$ (891,210) | \$ 73,805 | \$ 865 | \$ 156,784 | \$ (659,756) |
| Public Works | (554,169) | 5,826 | - | 188,998 | (359,345) |
| Public Safety | (339,687) | 3,192 | - | - | (336,495) |
| Education | (7,054,442) | 56,152 | 2,830,342 | - | (4,167,948) |
| Debt service | (6,570) | - | - | - | (6,570) |
| Total Governmental Activities | <u>\$ (8,846,078)</u> | <u>\$ 138,975</u> | <u>\$ 2,831,207</u> | <u>\$ 345,782</u> | <u>(5,530,114)</u> |
| General Revenues | | | | | |
| | | | | | 5,760,585 |
| | | | | | 213,260 |
| | | | | | <u>5,607</u> |
| | | | | | <u>5,979,452</u> |
| | | | | | 449,338 |
| | | | | | <u>8,389,784</u> |
| | | | | | <u>\$ 8,839,122</u> |

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

Town of Chaplin, Connecticut
Balance Sheet
Governmental Funds
June 30, 2017

| | General Fund | Capital Projects Funds | Educational Grants | Other Governmental Funds | Total Governmental Funds |
|---|--------------------|------------------------------|-----------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and equivalents | \$1,115,348 | \$892,780 | \$ 47,831 | \$ 70,518 | \$ 2,126,477 |
| Taxes receivable, net of allowance for uncollectible amounts | 144,145 | - | - | - | 144,145 |
| Other receivables | | | | | |
| Accounts | 43,477 | 96,728 | - | - | 140,205 |
| Intergovernmental | - | - | 63 | 15,375 | 15,438 |
| Due from other funds | 62,043 | - | 12,784 | 9,180 | 84,007 |
| Inventories | - | - | - | 1,564 | 1,564 |
| Total Assets | <u>\$1,365,013</u> | <u>\$989,508</u> | <u>\$ 60,678</u> | <u>\$ 96,637</u> | <u>\$ 2,511,836</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 122,408 | \$ 20,965 | \$ 2,455 | \$ 307 | \$ 146,135 |
| Accrued payroll and related | 137,516 | - | 11,136 | 3,520 | 152,172 |
| Due to other funds | 9,181 | - | 27,206 | 47,620 | 84,007 |
| Total Liabilities | <u>269,106</u> | <u>20,965</u> | <u>40,797</u> | <u>51,447</u> | <u>382,315</u> |
| Deferred Inflows of Resources | | | | | |
| Deferred revenues | <u>119,519</u> | <u>-</u> | <u>20,043</u> | <u>-</u> | <u>139,562</u> |
| Fund Balances (Deficits) | | | | | |
| Nonspendable | 1,151 | - | - | 7,489 | 8,640 |
| Restricted | 47,346 | - | - | - | 47,346 |
| Committed | - | 968,543 | - | - | 968,543 |
| Assigned | - | - | - | 60,359 | 60,359 |
| Unassigned | <u>927,892</u> | <u>-</u> | <u>(162)</u> | <u>(22,658)</u> | <u>905,072</u> |
| Total Fund Balances | <u>976,389</u> | <u>968,543</u> | <u>(162)</u> | <u>45,190</u> | <u>1,989,960</u> |
| Total Liabilities and Fund Balances | <u>\$1,365,013</u> | <u>\$989,508</u> | <u>\$ 60,678</u> | <u>\$ 96,637</u> | <u>\$ 2,511,836</u> |

Town of Chaplin, Connecticut
 Reconciliation of Governmental Funds Balance Sheet to the
 Government Wide Statement of Net Position - Governmental Activities
 June 30, 2017

| | | |
|--|----|-------------------------|
| Fund Balances - Total Governmental Funds | \$ | 1,989,960 |
| <p>Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:</p> | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 7,597,498 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | | 119,519 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | | <u>(867,855)</u> |
| Net Position of Governmental Activities | \$ | <u><u>8,839,122</u></u> |

Town of Chaplin, Connecticut
Statement of Revenues, Expenditures and Changes
in Fund Balances
Governmental Funds
Year Ended June 30, 2017

| | General Fund | Capital Projects Fund | Education Grants | Other Governmental Funds | Total Governmental Funds |
|---------------------------------------|-------------------|-----------------------------|---------------------|--------------------------------|--------------------------------|
| REVENUES | | | | | |
| Property taxes for general purposes | \$5,702,017 | \$ - | \$ - | \$ - | \$ 5,702,017 |
| Intergovernmental | 2,938,522 | 156,784 | 236,007 | 61,265 | 3,392,578 |
| Charges for services | 57,330 | - | - | 81,646 | 138,976 |
| Miscellaneous revenue | 19,034 | - | - | 865 | 19,899 |
| Total Revenues | <u>8,716,903</u> | <u>156,784</u> | <u>236,007</u> | <u>143,776</u> | <u>9,253,470</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General government | 929,651 | - | - | 22,952 | 952,603 |
| Public works | 482,792 | - | - | - | 482,792 |
| Public safety | 291,885 | - | - | - | 291,885 |
| Education | 6,564,585 | - | 236,067 | 112,090 | 6,912,742 |
| Debt Service | 29,545 | - | - | - | 29,545 |
| Capital expenditures | <u>13,181</u> | <u>455,278</u> | <u>-</u> | <u>-</u> | <u>468,459</u> |
| Total Expenditures | <u>8,311,639</u> | <u>455,278</u> | <u>236,067</u> | <u>135,042</u> | <u>9,138,026</u> |
| Excess (Deficiency) of Revenues | | | | | |
| Over expenditures | <u>405,264</u> | <u>(298,494)</u> | <u>(60)</u> | <u>8,734</u> | <u>115,444</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | - | 347,456 | - | - | 347,456 |
| Transfers out | <u>(347,456)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(347,456)</u> |
| Total Other Financing Sources (Uses) | <u>(347,456)</u> | <u>347,456</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balance | 57,808 | 48,962 | (60) | 8,734 | 115,444 |
| Fund Balances - Beginning of Year | <u>918,581</u> | <u>919,581</u> | <u>(102)</u> | <u>36,456</u> | <u>1,874,516</u> |
| Fund Balances - End of Year | <u>\$ 976,389</u> | <u>\$ 968,543</u> | <u>\$ (162)</u> | <u>\$ 45,190</u> | <u>\$ 1,989,960</u> |

Town of Chaplin
 Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities
 Year Ended June 30, 2017

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

| | |
|---|-------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ 115,444 |
| <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.</p> | |
| Capital outlay | 606,119 |
| Depreciation expense | <u>(308,222)</u> |
| | <u>297,897</u> |
| <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p> | |
| Real property taxes and other revenues in the General Fund | <u>41,948</u> |
| <p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p> | |
| Principal payments on long-term debt | <u>22,975</u> |
| <p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, including the change in</p> | |
| Compensated absences | (23,021) |
| Other post employment benefits liability | <u>(5,905)</u> |
| | <u>(28,926)</u> |
| Change in Net Position of Governmental Activities | <u>\$ 449,338</u> |

Town of Chaplin, Connecticut
Statement of Net Position
Fiduciary Funds
June 30, 2017

| | |
|---------------|------------------|
| ASSETS | |
| Cash | <u>\$ 10,057</u> |
| LIABILITIES | |
| Due to others | <u>\$ 10,057</u> |

Town of Chaplin, Connecticut

Notes to Financial Statements

June 30, 2017

Note 1 - Summary of Significant Accounting Policies

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. The elected Board of Finance is the budget making authority and supervises the town financial matters.

The accounting policies conform to generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the Town's more significant accounting policies:

Financial Reporting Entity

The financial reporting entity consists of: 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 as set forth by GASB.

In evaluating how to define the financial reporting entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in this reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal dependency and financial accountability. The criterion has been considered and there are no agencies or entities, which should be presented with this government.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the primary government as a whole. For the most part, the effect of interfund activity has been removed from these statements, except for interfund services provided and used. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities (if any), which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the financial position of the Town at the end of its fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods or services, or privileges provided by a given function or segment, 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and 3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues. The Town does not allocate indirect expenses to functions in the Statement of Activities.

Town of Chaplin, Connecticut
Notes to Financial Statements
June 30, 2017

Fund Financial Statements

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts, which comprise its assets, liabilities, fund balances, revenues and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The Town maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with non-major funds, if any, aggregated and presented in a single column. The Town maintains fiduciary funds, which are reported by type. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, reconciliation is presented on the pages following, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column of the government-wide presentation.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements

The Town's resources are reflected in the fund financial statements in two broad fund categories, in accordance with generally accepted accounting principles as follows:

Fund Categories

Governmental Funds - Governmental funds are those through which most general government functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following are the Town's major governmental funds:

General Fund - The General Fund constitutes the primary operating fund of the Town and is used to account for and report all financial resources not accounted for and reported in another fund.

Capital Improvement Program - The Capital Improvement Program is used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of major capital facilities and other capital assets.

Education Grants – This fund receives Federal, State and local grant money and spends it according to the terms of the grant.

Town of Chaplin, Connecticut
Notes to Financial Statements
June 30, 2017

The Town also reports the following non-major governmental funds:

Special Revenue Funds – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purpose other than debt service or capital projects. The non-major Special Revenue Funds of the Town are:

William Ross Library Restoration Fund – This fund accounts for repairs and improvements to the library.

Chaplin Library Fund – This fund accounts for the libraries grants and income and the expenditures of the same.

Senior Center – Grants, donations and fees earned by the senior center are accumulated here and spent on the seniors and the senior center.

Recreation Commission – Grants, donations and fees earned by the recreation commission are accumulated here and spent as directed by the commission.

Pre-School and After School Fund – Grants and fees charged for the pre-school and after school funds and the related costs are included in this fund.

Child Nutrition Fund – The school cafeteria activities including revenues from the students and reimbursements for free and reduced lunches are in this fund.

The following is the Town's non-major capital projects fund:

Nonlapsing Fund – This fund was established under the Connecticut General Statutes for the unspent General Fund education budget.

The following is the Town's permanent fund:

Cemetery Fund – Various donors have provided funding whereby the interest is used for the care and maintenance of cemetery plots.

Fiduciary Funds (Not included in government-wide financial statements) - The Fiduciary Funds are used to account for assets held by the Town in an agency fund on behalf of others. These include Agency funds. The Agency Fund is primarily utilized to account for monies held as custodian for outside student groups.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial reports.

Town of Chaplin, Connecticut
Notes to Financial Statements
June 30, 2017

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds. The Agency Fund has no measurement focus and utilizes the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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 GASB guidance.

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.

Property taxes and certain other revenues are considered available if collected within sixty days of the fiscal year end. Property taxes associated with the current fiscal period, as well as charges for services and intergovernmental revenues are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures, when applicable, related to early retirement incentives, compensated absences, capital leases, post-closure landfill costs, pollution remediation obligations, other post-employment benefit obligations, certain pension obligations and certain claims payable are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Assets, Liabilities and Net Position or Fund Balances

Deposits, Investments and Risk Disclosure

Cash and Equivalents - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts, certificates of deposit, money market funds, State of Connecticut Treasurer's Short-Term Investment Fund, Tax Exempt Proceeds Funds and treasury bills with original maturities of less than three months.

The Town's custodial credit risk policy is to only allow the Town to use banks that are in the State of Connecticut. The State of Connecticut requires that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank's risk-based capital ratio.

Town of Chaplin, Connecticut

Notes to Financial Statements

June 30, 2017

Investments - The investment policies of the Town conform to the policies as set forth by the State of Connecticut. The Town's policy is to only allow prequalified financial institution broker/dealers and advisors. The Town policy allows investments in the following: (1) obligations of the United States and its agencies; (2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and (3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the Connecticut Short-Term Investment Fund and the Tax-Exempt Proceeds Fund.

Investments are stated at fair value, based on quoted market prices.

The 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 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 position. The pool is overseen by the Office of the State Treasurer. The pool is rated AAAM by Standard & Poor. This is the highest rating for money market funds and investment pools. 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 fair value of the position in the pool is the same as the value of the pool shares.

Interest Rate Risk - Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. 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 changing interest rates. Generally, the Town does not invest in any long-term investment obligations.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town's policy for custodial credit risk is to invest in obligations allowable under the Connecticut General Statutes as described previously.

Credit Risk – Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The Town does not have a formal credit risk policy other than restrictions to obligations allowable under the Connecticut General Statutes.

Concentration of Credit Risk – Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer. The Town follows the limitations specified in the Connecticut General Statutes. Generally, the Town's deposits cannot be 75% or more of the total capital of any one depository.

Town of Chaplin, Connecticut
Notes to Financial Statements
June 30, 2017

Taxes Receivable - 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.

Other Receivables - Other receivables include amounts due from other governments and individuals for services provided by the Town. Receivables are recorded, and revenues recognized as earned or as specific program expenditures/expenses are incurred. Allowances are recorded when appropriate.

Prepaid Expenses/Expenditures - Certain payments to vendors reflect costs applicable to future accounting periods, and are recorded as prepaid items using the consumption method in both the government-wide and fund financial statements. Reported amounts are equally offset by nonspendable fund balance, in the fund financial statements, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

Inventories - Inventories in the governmental funds are valued at cost on a first-in, first-out basis. The cost is recorded as inventory at the time individual items are purchased. The Town uses the consumption method to relieve inventory. In the fund financial statements, reported amounts are equally offset by nonspendable fund balance in governmental funds, which indicates that they do not constitute "available spendable resources" even though they are a component of current assets. Purchases of other inventoriable items are recorded as expenditures/expenses at the time of purchase and year-end balances are not material.

Due From/To Other Funds - During its operations, the Town has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of June 30, 2017, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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.

Intangible assets lack physical substance, is nonfinancial in nature and its useful life extends beyond a single reporting period. These are reported at historical cost if identifiable. Intangible assets with no legal, contractual, regulatory, technological or other factors limiting their useful life are considered to have an indefinite useful life and are not amortized.

Town of Chaplin, Connecticut
Notes to Financial Statements
June 30, 2017

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. Other capital assets of the Town are depreciated or amortized using the straight-line method over the following estimated useful lives:

| Assets | Years | Capitalization Threshold |
|---------------------------|----------------|-----------------------------|
| Land | N/A | \$ 5,000 |
| Intangible assets | Varies, if any | 5,000 |
| Buildings and systems | 50 | 5,000 |
| Machinery and equipment : | | |
| Equipment | 10 | 5,000 |
| Vehicles | 10 | 5,000 |
| Infrastructure | 40 | 5,000 |

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. As of June 30, 2017, the governmental funds report unavailable revenues from two sources, property taxes and grant funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Long-Term Liabilities - In the government-wide statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. 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, and debt payments, are reported as debt service expenditures.

Compensated Absences - Town employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. Vacation and sick leave expenses to be paid in future periods are accrued when incurred in the government-wide statements. A liability for these amounts is reported in the governmental funds only if the liability has matured through employee resignation or retirement.

Net Position - Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other

Town of Chaplin, Connecticut

Notes to Financial Statements

June 30, 2017

governments. Net assets on the Statement of Net Position include, invested in capital assets, net of related debt and restricted. The balance is classified as unrestricted.

Fund Balance - Generally, fund balance represents the difference between current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard, the fund balance classifications are as follows:

- Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).
- Restricted fund balance is to be reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification will be used to report funds that are restricted for debt service obligations and for other items contained in the Connecticut statutes.
- Committed fund balance will be reported for amounts that can only be used for specific purposes pursuant to formal action of the Town's highest level of decision-making authority, a motion at a Town Meeting. These funds may only be used for the purpose specified unless the entity removes or changes the purpose by taking the same action that was used to establish the commitment. This classification includes certain designations established and approved by the entity's governing boards.
- Assigned fund balance, in the General Fund, will represent amounts constrained by either the entity's highest level of decision-making authority or a person with delegated authority from the governing board to assign amounts for a specific intended purpose. Currently, this is done by the Board of Finance. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. This classification will include amounts designated for balancing the subsequent year's budget and encumbrances. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance amounts.
- Unassigned fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets.

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Town's policy to use restricted amounts first and then unrestricted amounts, as they are needed. For unrestricted amounts of fund balance, the Town considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

Town of Chaplin, Connecticut
Notes to Financial Statements
June 30, 2017

Encumbrances

In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are reported as assigned fund balance since they do not constitute expenditures or liabilities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is November 15, 2017.

Note 2 - Stewardship, Compliance and Accountability

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:

- **Teachers' Retirement** - 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 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.
- **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 revenue.

Town of Chaplin, Connecticut

Notes to Financial Statements

June 30, 2017

- **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.
- **Cash Basis Payroll** - Payroll 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.

Budget Calendar

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

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

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

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. For the year, the Town made \$207,301 in additional appropriations and transfers.

Fund Deficit

The Cemetery Fund has an unassigned deficit of \$230 at June 30, 2017. The Town considers this a timing issue and plans to address this deficit in the subsequent year.

Town of Chaplin, Connecticut
Notes to Financial Statements
June 30, 2017

Note 3 - Cash, Cash Equivalents and Investments

Cash and investments of the Town consist of the following at June 30, 2017:

| | |
|----------------------------|---------------------|
| Statement of Net Assets | |
| Cash and equivalents | \$ 2,126,477 |
| Fiduciary Funds | |
| Cash and equivalents | <u>10,057</u> |
| Total Cash and Investments | <u>\$ 2,136,534</u> |

Cash and Cash Equivalents - As of June 30, 2017 the carrying amount of the Town's deposits with financial institutions were:

| | |
|--------------------------------------|---------------------|
| Cash and Cash Equivalents | |
| Deposits with financial institutions | \$ 1,389,129 |
| Plus external investment pools | <u>805,513</u> |
| | <u>\$ 2,194,642</u> |

The bank balance of the Town's deposits with financial institutions was \$2,194,642, of which \$369,551 was covered by federal depository insurance.

Note 4 - Receivables, Deferred Inflows of Financial Resources

Governmental funds report deferred revenue regarding receivables for revenue that are not considered available to liquidate liabilities of the current period. The following were reported as *deferred inflows as* of the year-end:

| | General Fund | Capital Improvement Program | Other Governmental Funds |
|--------------------|-------------------|-----------------------------------|--------------------------------|
| Property taxes | \$ 119,519 | \$ - | \$ - |
| Advances on grants | <u>-</u> | <u>-</u> | <u>20,043</u> |
| | <u>\$ 119,519</u> | <u>\$ -</u> | <u>\$ 20,043</u> |

Town of Chaplin, Connecticut
Notes to Financial Statements
June 30, 2017

Note 5 - Interfund Transactions

The outstanding balances between funds result mainly from the time lag between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur; 2) transactions are recorded in the accounting system; and 3) payments between funds are made. At June 30, 2017, these were summarized as follows:

| <u>Receivable fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|-----------------------|------------------|
| General Fund | Cafeteria Fund | \$ 27,904 |
| General Fund | Education Grants Fund | 27,206 |
| General Fund | Preschools Fund | 6,933 |
| Cemetery Fund | General Fund | 5,694 |
| Library Reserve Fund | General Fund | 3,485 |
| | | <u>\$ 71,222</u> |

Fund transfers are generally used to fund special projects with general fund revenues. Transfers during the year ended June 30, 2017 were as follows:

| | <u>Transfers into:</u> | | | <u>Total</u> |
|-------------------|------------------------|------------------------------------|---------------------------------|-------------------|
| | <u>General Fund</u> | <u>Capital Improvement Program</u> | <u>Other Governmental Funds</u> | |
| Transfers out of: | | | | |
| General Fund | <u>\$ -</u> | <u>\$ 347,456</u> | <u>\$ -</u> | <u>\$ 347,456</u> |

Note 6 - Capital Assets

Changes in the Town's capital assets used in the governmental activities are as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|----------------------------------|--------------------------------------|-------------------|------------------|-----------------------|
| | Capital assets not being depreciated | | | |
| Land | \$ 355,558 | \$ - | \$ - | \$ 355,558 |
| Construction in progress | - | - | - | - |
| | <u>355,558</u> | <u>-</u> | <u>-</u> | <u>355,558</u> |
| Capital assets being depreciated | | | | |
| Buildings and systems | 7,822,481 | 44,157 | - | 7,866,638 |
| Machinery and equipment | 1,385,782 | 13,860 | - | 1,399,642 |
| Infrastructure | 2,162,004 | 548,102 | - | 2,710,106 |
| | 11,370,267 | 606,119 | - | 11,976,386 |
| Less accumulated depreciation | <u>(4,426,224)</u> | <u>(308,222)</u> | <u>-</u> | <u>(4,734,446)</u> |
| | <u>\$ 7,299,601</u> | <u>\$ 297,897</u> | <u>\$ -</u> | <u>\$ 7,597,498</u> |

Town of Chaplin, Connecticut
Notes to Financial Statements
June 30, 2017

Depreciation and amortization expense was charged to functions/programs of the governmental activities as follows:

| | |
|--------------------|-------------------|
| General Government | \$ 52,981 |
| Public Safety | 47,802 |
| Public Works | 71,377 |
| Education | <u>136,062</u> |
| | <u>\$ 308,222</u> |

Note 7 - Long-Term Liabilities

The following table summarizes changes in the Town's long-term indebtedness for the year ending June 30, 2017:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--------------------------|----------------------|-------------------|---------------------|-------------------|------------------------|
| General obligation bonds | \$ 98,775 | \$ - | \$ (22,975) | \$ 75,800 | \$ 24,094 |
| Compensated absences | 296,915 | 51,324 | (28,303) | 319,936 | 31,994 |
| OPEB obligations | <u>466,205</u> | <u>76,604</u> | <u>(70,699)</u> | <u>472,110</u> | <u>-</u> |
| | <u>\$ 861,895</u> | <u>\$ 127,928</u> | <u>\$ (121,977)</u> | <u>\$ 867,846</u> | <u>\$ 56,088</u> |

Each governmental fund liability is liquidated by the respective fund, primarily the General Fund. Interests on these obligations are expensed to the respective fund, primarily the General Fund.

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 of the Town 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. General obligation bonds outstanding as of June 30, 2017 consisted of the following:

| Purpose | Year of Issue | Original Amount | Final Maturity | Interest Rates | Amount Outstanding |
|---------|---------------|--------------------|-------------------|----------------|-----------------------|
| Library | 12/20/1999 | \$ 350,000 | 12/20/2019 | 4.88% | <u>\$ 75,800</u> |

Town of Chaplin, Connecticut
Notes to Financial Statements
June 30, 2017

Payments to maturity on the general obligation bonds are as follows:

| Year End | Principal | Interest |
|----------|------------------|-----------------|
| 2018 | 24,095 | 3,695 |
| 2019 | 25,269 | 2,521 |
| 2020 | 26,436 | 1,354 |
| | <u>\$ 75,800</u> | <u>\$ 7,570</u> |

Interest paid and expensed on general obligation bonds for the year ended June 30, 2017 totaled \$4,815.

Compensated Absences

Employees are entitled to accumulate sick leave up to a maximum amount stipulated in each contract. Payment for accumulated sick leave is dependent upon the length of service and accumulated days. The value of all compensated absences has been reflected in the government-wide financial statements.

Legal Debt Limit

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 are as follows:

| | | | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total tax collections (including interest and lien fees) for the year - primary government | | | | | | \$ 5,686,108 |
| Reimbursement for revenue loss on tax relief for the elderly (C.G.S. 12-129d) | | | | | | <u>15,857</u> |
| Debt limitation base | | | | | | <u>\$ 5,701,965</u> |
| | General | | | Urban | Pension | |
| | Purpose | Schools | Sewers | Renewal | Deficit | |
| Debt limitation | | | | | | |
| 2 1/4 times base | \$ 12,829,421 | \$ - | \$ - | \$ - | \$ - | |
| 4 1/2 times base | - | 25,658,843 | - | - | - | |
| 3 3/4 times base | - | - | 19,244,132 | - | - | |
| 3 1/4 times base | - | - | - | 18,531,386 | - | |
| 3 times base | - | - | - | - | 17,105,895 | |
| Total debt limitation | <u>12,829,421</u> | <u>25,658,843</u> | <u>19,244,132</u> | <u>18,531,386</u> | <u>17,105,895</u> | |
| Indebtedness | | | | | | |
| Bonds payable | <u>75,800</u> | - | - | - | - | |
| Debt limitation in excess of debt outstanding and authorized | <u>\$ 12,753,621</u> | <u>\$ 25,658,843</u> | <u>\$ 19,244,132</u> | <u>\$ 18,531,386</u> | <u>\$ 17,105,895</u> | |
| In no case shall total indebtedness exceed seven times the annual receipts from taxation | | | | | | <u>\$ 39,913,755</u> |

Town of Chaplin, Connecticut
Notes to Financial Statements
June 30, 2017

Note 8 - Net Position

The components of net position are detailed below:

Invested in Capital Assets, Net of Related Debt - the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position - Nonexpendable - the component of net position that reflects funds set aside in accordance with laws, regulations, grants and other agreements that must be kept intact and cannot be spent. This is made up of \$5,925 of trust fund principal, \$1,564 in consumable inventory and \$1,151 in prepaid items.

Restricted Net Position – Expendable - the component of net position that reflects funds that can only be spent subject to the laws, regulations, grants and other agreements relating to these funds. This is made up of:

| | |
|--------------------|------------------|
| General Government | \$ 42,343 |
| Capital Projects | <u>5,003</u> |
| | <u>\$ 47,346</u> |

Unrestricted - all other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Town of Chaplin, Connecticut
Notes to Financial Statements
June 30, 2017

Note 9 - Fund Balances

As discussed in Note 1, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. These are summarized below:

| | <u>General Fund</u> | <u>Capital Improvement Program</u> | <u>Other Governmental Funds</u> | <u>Total</u> |
|---------------------------|---------------------|--|---|-------------------|
| Nonspendable | | | | |
| Not in spendable form | | | | |
| Prepaid expenditures | \$ 1,151 | \$ - | \$ - | \$ 1,151 |
| Inventories | - | - | 1,564 | 1,564 |
| Required to be maintained | | | | |
| Trust principal | - | - | 5,925 | 5,925 |
| | <u>\$ 1,151</u> | <u>\$ -</u> | <u>\$ 7,489</u> | <u>\$ 8,640</u> |
| Restricted | | | | |
| General Government | 42,343 | \$ - | \$ - | \$ 42,343 |
| Capital Projects | 5,003 | - | - | 5,003 |
| | <u>\$ 47,346</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 47,346</u> |
| Committed | | | | |
| Capital Projects | <u>\$ -</u> | <u>\$ 968,543</u> | <u>\$ -</u> | <u>\$ 968,543</u> |
| Assigned | | | | |
| General Government | \$ - | \$ - | \$ 56,874 | \$ 56,874 |
| Capital Projects | - | - | 3,485 | 3,485 |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 60,359</u> | <u>\$ 60,359</u> |

Note 10 - Employee Retirement Systems and Pension Plans

Connecticut State Teachers' Retirement Fund

Organization

The Connecticut Teachers' Retirement System (TRS) is the public pension plan offered by the State of Connecticut to provide retirement, disability, survivorship and health insurance benefits for Connecticut public school teachers and their beneficiaries. The plan is governed by Connecticut Statute Title 10, Chapter 167a of the Connecticut General Statutes. TRS is a multiemployer pension plan administered by the Connecticut State Teachers' Retirement Board. The State Teachers' Retirement Board (TRB) is responsible for the administration of the Connecticut Teachers' Retirement System. The State Treasurer is responsible for investing TRS funds for the exclusive benefit of TRS members.

Town of Chaplin, Connecticut
Notes to Financial Statements
June 30, 2017

Plan description

Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with pensions through the Connecticut State Teachers' Retirement System - a cost sharing multiemployer defined benefit pension plan administered by the Teachers' Retirement Board. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS issues a publicly available financial report that can be obtained at www.ct.gov.

Benefit provisions

The plan provides retirement, disability and death benefits. Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut.

Normal Retirement: Retirement benefits for the employees are calculated as 2% of the average annual salary times the years of credited service (maximum benefit is 75% of average annual salary during the 3 years of highest salary).

In addition, amounts derived from the accumulation of 1 % contributions made prior to July 1, 1989 and voluntary contributions are payable.

Early Retirement: Employees are eligible after 25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service. Benefit amounts are reduced by 6% per year for the first 5 years preceding normal retirement age and 4% per year for the next 5 years preceding normal retirement age. Effective July 1, 1999, the reduction for individuals with 30 or more years of service is 3% per year by which retirement precedes normal retirement date.

Minimum Benefit: Effective January 1, 1999, Public Act 98-251 provides a minimum monthly benefit of \$1,200 to teachers who retire under the normal retirement provisions and who have completed at least 25 years of full time Connecticut service at retirement.

Disability Retirement: Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for nonservice-related disability eligibility. Disability benefits are calculated as 2% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary. In addition, disability benefits under this plan (without regard to cost-of-living adjustments) plus any initial award of social security benefits and workers' compensation cannot exceed 75% of average annual salary.

A plan member who leaves service and has attained 10 years of service will be entitled to 100% of the accrued benefit as of the date of termination of covered employment. Benefits are payable at age 60 and early retirement.

Town of Chaplin, Connecticut
Notes to Financial Statements
June 30, 2017

Contributions-State of Connecticut

Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut is amended and certified by the State Teachers' Retirement Board and appropriated by the General Assembly. The contributions are actuarially determined as an amount that, when combined with employee contributions and investment earning, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

Employer (School Districts)

School district employers are not required to make contributions to the plan.

Employees:

Effective July 1, 1992, each teacher is required to contribute 6% of salary for the pension benefit.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the Town as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the Town were as follows:

| | |
|---|--------------------|
| Town's proportionate share of the net pension liability | \$ - |
| State's proportionate share of the net pension liability associated with the Town | <u>\$6,015,846</u> |
| Total | <u>\$6,015,846</u> |

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. At June 30, 2017, the Town has no proportionate share of the net pension liability. For the year ended June 30, 2017, the Town recognized pension expense and revenue of \$656,050 in on-behalf amounts for the benefits provided by the State.

Town of Chaplin, Connecticut
Notes to Financial Statements
June 30, 2017

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

| | | |
|---------------------------|-------|--|
| Inflation | 3.00% | 2.75% |
| Salary increase | | 3.25-6.50%, including inflation |
| Investment rate of return | | 8.00%, net of pension plan investment expense, including inflation |

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale.

Future cost-of-living increases for teachers who retired prior to September 1, 1992, are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum. For teachers who were members of the Teachers' Retirement System before July 1, 2007, and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%. For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------------|--------------------------|---|
| Large Cap U.S. equities | 21% | 5.80% |
| Developed non-U.S. equities | 18% | 6.60% |
| Emerging markets (non-U.S.) | 9% | 8.30% |
| Real estate | 7% | 5.10% |
| Private equity | 11% | 7.60% |
| Alternative investments | 8% | 4.10% |
| Core fixed income | 7% | 1.30% |
| High yield bonds | 5% | 3.90% |
| Emerging market bond | 5% | 3.70% |
| Inflation linked bond fund | 3% | 1.00% |
| Cash | <u>6%</u> | 0.40% |
| Total | <u>100%</u> | |

Town of Chaplin, Connecticut
Notes to Financial Statements
June 30, 2017

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined contribution rates in the future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The Town's proportionate share of the net pension liability is \$-0- and, therefore, the change in the discount rate would only impact the amount recorded by the State of Connecticut.

Other Information

Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the Town has no obligation to contribute to the plan.

A copy of the plan's comprehensive annual financial report can be obtained from the State of Connecticut Teachers Retirement Board.

Deferred Compensation Plan

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

Note 11 - Other Post-Employment Benefits

Plan Description

The Chaplin Public Schools Other Post Employment Benefit Program ("OPEB") is a single-employer defined benefit plan administered by the Town of Chaplin, Connecticut in accordance with various collective bargaining agreements. The plan does not issue a separate financial statement.

| | |
|------------------|--|
| Eligibility | Teachers and Certified Administrators – A Teacher or Certified Administrator retiring under the Connecticut State Teachers Retirement System shall be eligible to receive health benefits for self and spouse. |
| Cost Sharing | All retirees pay 100% of the premiums less the amount paid to the Town by the Teachers' Retirement Board. |
| Plan of Coverage | Various medical, dental and pharmaceutical plans depending on whether retirement is prior to age 65 or after 65. |

Town of Chaplin, Connecticut
Notes to Financial Statements
June 30, 2017

Actuarial Assumptions and Methods

The government has elected to use the alternative approach to calculate OPEB related benefits. This allows financial statement preparers to use certain simplifying assumptions to project benefits without the use of an actuary. The significant assumptions to apply this method were developed by the Board of Education with the use of an outside vendor.

| | |
|------------------------|--|
| Latest Actuarial Date | June 30, 2016 |
| Discount Rate | 3.50% |
| Payroll Growth Rate | 3.00% |
| Amortization Method | Level percentage of payroll amortization |
| Remaining amortization | 30 years, closed |
| Age Adjustment Factor | 1.616 |

Schedule of Funding Progress

The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. There is no requirement for funding and the plan has not been funded. The Town has not yet established a formal funding plan or a trust at this time. Below is a schedule of funding progress. (Data in the table below is only presented since the year of transition.):

| Valuation Date | Value of Assets | Accrued Liability | Unfunded Actuarial | | Funded Ratio | Covered Payroll | Unfunded Liability as a % of |
|----------------|-----------------|-------------------|--------------------|--|--------------|-----------------|------------------------------|
| | | | Accrued Liability | | | | Covered Payroll |
| June 30, 2016 | \$ - | \$ 797,979 | \$ 797,979 | | \$ - | \$1,580,810 | 50.48% |
| June 30, 2013 | - | 945,472 | 945,472 | | - | 1,695,517 | 55.76% |

The schedule of employer contributions is as follows. (Data in the table below is only presented since the year of transition):

| Year Ended | Annual Required Contributions | Actual Contributions Made | Percentage Contributed |
|------------|-------------------------------|---------------------------|------------------------|
| 2017 | \$ 76,970 | \$ 11,121 | 14.40% |
| 2016 | 74,362 | 14,784 | 19.90% |
| 2015 | 88,722 | 18,389 | 20.70% |
| 2014 | 86,138 | 11,800 | 13.70% |
| 2013 | 83,629 | 17,020 | 20.40% |

Town of Chaplin, Connecticut
Notes to Financial Statements
June 30, 2017

Annual Required Contribution (ARC)

An adjustment to the prior financial statement's Net OPEB Obligation (NOO) to approximate the amount included in the ARC for amortization of past contributions in excess of, or less than, the ARC. It is removed from the ARC via this adjustment, so that the current ARC will not be over or understated due to past over contributions or contributions deficiencies. This is one of two adjustments made to the prior year NOO when deriving the current year's NOO. The other calculation is the interest on Net OPEB Obligation.

Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the Town's net OPEB obligation (asset):

| | |
|---|--------------------------|
| Annual Required Contribution | \$ 76,970 |
| Interest on Net OPEB Obligation | 14,232 |
| Adjustment to Annual Required Contribution | <u>(14,598)</u> |
| Annual OPEB Cost | 76,604 |
| Contributions made | <u>(11,121)</u> |
| Increase in net OPEB Obligation | 65,483 |
| Net OPEB Obligation - Beginning of the year | <u>406,627</u> |
| Net OPEB Obligation -End of the year | <u><u>\$ 472,110</u></u> |

The Net OPEB Obligation history is as follows:

| Year Ended June 30 | Annual OPEB Cost | Actual Contributions Made | Percentage of APC Contributed | Net OPEB Obligation |
|-----------------------|---------------------|---------------------------------|-------------------------------------|---------------------------|
| 2017 | \$ 76,604 | \$ 11,121 | 14.50% | \$472,110 |
| 2016 | 74,362 | 14,784 | 19.90% | 466,205 |
| 2015 | 85,902 | 11,800 | 13.70% | 336,597 |
| 2014 | 83,453 | 17,020 | 20.40% | 262,495 |
| 2013 | 92,331 | 26,130 | 28.30% | 196,062 |

Other Disclosures

The calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing costs between the employer and plan members to that point. The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Town of Chaplin, Connecticut
Notes to Financial Statements
June 30, 2017

Note 12 – Commitments and Contingencies

Litigation

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.

Grants - The Town participates in various Federal and State grant programs. These programs are subject to program compliance audits pursuant to the Federal and State Single Audit Acts. The amount of expenditures that may be disallowed by the granting agencies cannot be determined at this time,

School Building Grants - Section 10-283(a)(3)(A) of the Connecticut General Statutes states that if the Town abandons, sells, leases, demolishes or otherwise redirects the use of a school building project authorized on or after July 1, 1996, paid partially with State funding, to other than a public school, will owe a portion of the State funding back to the State.

For projects with a cost over of two million dollars or over, the contingency will be amortized over twenty years. For smaller projects, the contingency will be amortized over ten years.

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.

Encumbrances

The Town uses encumbrance accounting for budgeting in the General Fund. At year-end, the Town had \$0 in encumbrances outstanding. These encumbrances have not met the requirements to be classified as restricted, committed or assigned and are, therefore, included in the unassigned Fund Balance.

Jointly Governed Organizations

Regional School District #11- Central Office Committee

As of July 1, 2011, the Town has an agreement with Regional School District #11 – Central Office Committee to provide supervisory services for the Chaplin Board of Education.

Town of Chaplin, Connecticut
Notes to Financial Statements
June 30, 2017

Mid-Northeast Recycling Operating Committee

The Town is a member of Mid-Northeast Recycling Operating Committee (“MID-NEROC”), established under the Chapter 446d of the Connecticut General Statutes, to construct and operate a permanent household chemical collection facility. The Town is responsible for its share of the annual operating budget each year. In addition, the Town shares jointly in the liability arising out of the collection facility operations. In the event of termination of the agreement, the assets and liabilities will be liquidated, and the participating Towns will each share in the revenues and expenses proportionately by their respective populations, if any.

During the year, the Town paid \$1,680 into MID-NEROC for recycling services.

Separate financial statements of the joint venture may be obtained by contacting MID-NEROC directly at 630 Governor’s Highway, South Windsor, CT, 06074

Note 13 – GASB Pronouncements Issued, But Not Yet Effective

GASB Statement 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions – This statement, and GASB Statement 74 applicable to Postemployment Benefits, improves information provided by state and local government employers for better decision making, accountability, interperiod equity and creating additional transparency. This statement is effective for fiscal years beginning after June 15, 2017.

GASB Statement 87 - Leases –The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. This statement is effective for fiscal years beginning after December 15, 2019.

Town of Chaplin, Connecticut

Required Supplementary Information
June 30, 2017

Town of Chaplin, Connecticut
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and actual (Budgetary Basis) – General Fund
June 30, 2017

| | <u>Budgeted Amounts</u> | | | <u>Actual</u> | <u>Variance with</u> | | |
|---|-------------------------|---|---------------------|------------------|----------------------|------------------|---------------------|
| | <u>Original</u> | <u>Additional</u> | <u>Final Budget</u> | | | <u>Budgetary</u> | <u>Final Budget</u> |
| | <u>Budget</u> | <u>Appropriations</u> <u>and Transfers</u> | | | | | |
| REVENUES | | | | | | | |
| Property Taxes | | | | | | | |
| Property taxes | \$ 5,578,647 | \$ - | \$ 5,578,645 | \$ 5,613,104 | \$ 34,459 | | |
| Telecommunication prop. tax | 3,500 | - | 3,500 | 3,543 | 43 | | |
| Prior years taxes | 65,000 | - | 65,000 | 39,409 | (25,591) | | |
| Interest and lien fees | 30,000 | - | 30,000 | 45,961 | 15,961 | | |
| | <u>5,677,147</u> | <u>-</u> | <u>5,677,145</u> | <u>5,702,017</u> | <u>24,872</u> | | |
| Reimbursements in Lieu of Taxes | | | | | | | |
| Disability exemption | 450 | - | 450 | 413 | (37) | | |
| Elderly property taxes | 18,015 | - | 18,015 | 15,857 | (2,158) | | |
| Pequot state property | 79,763 | - | 79,763 | 79,763 | - | | |
| Verterans exemption | 400 | - | 400 | 480 | 80 | | |
| State and Federal Funding | 118,543 | - | 118,543 | 104,948 | (13,595) | | |
| | <u>217,171</u> | <u>-</u> | <u>217,171</u> | <u>201,461</u> | <u>(15,710)</u> | | |
| State and Federal Funding for Operations | | | | | | | |
| Town road aid | 189,102 | - | 189,102 | 188,998 | (104) | | |
| Municipal revenue sharing | - | - | - | 10,692 | 10,692 | | |
| | <u>189,102</u> | <u>-</u> | <u>189,102</u> | <u>199,690</u> | <u>10,588</u> | | |
| State Educational Funding | | | | | | | |
| State Education Funding | 1,871,596 | - | 1,871,596 | 1,859,911 | (11,685) | | |
| School bus fuel reimbursement | 30,000 | - | 30,000 | 17,109 | (12,891) | | |
| | <u>1,901,596</u> | <u>-</u> | <u>1,901,596</u> | <u>1,877,020</u> | <u>(24,576)</u> | | |
| Receipts for Town Services | | | | | | | |
| Building permits | 8,500 | - | 8,500 | 8,785 | 285 | | |
| Conveyance tax | 14,000 | - | 14,000 | 18,779 | 4,779 | | |
| Dog license and surcharges | 500 | - | 500 | 1,862 | 1,362 | | |
| Inland/Wetlands | - | - | 450 | 1,155 | 705 | | |
| Collection fees | - | - | - | 2 | 2 | | |
| Pistol permits | 1,600 | - | 1,600 | 1,330 | (270) | | |
| Recording fees | 10,000 | - | 10,000 | 11,808 | 1,808 | | |
| Transfer station fees | 4,000 | - | 4,000 | 5,826 | 1,826 | | |
| | <u>38,600</u> | <u>-</u> | <u>39,050</u> | <u>49,547</u> | <u>10,497</u> | | |
| Town Clerk Revenues | | | | | | | |
| Copies | 4,000 | - | 4,000 | 3,524 | (476) | | |
| Application fees | 2,600 | - | 2,600 | 4,865 | 2,265 | | |
| Reserves transactions | | | | | | | |
| Historic document preservation | 100 | - | 100 | 4,200 | 4,100 | | |
| | <u>6,700</u> | <u>-</u> | <u>6,700</u> | <u>12,589</u> | <u>5,889</u> | | |

Town of Chaplin, Connecticut
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and actual (Budgetary Basis) – General Fund
June 30, 2017

| | <u>Budgeted Amounts</u> | | | <u>Actual</u> | <u>Variance with</u> | | |
|----------------------------------|-------------------------|-----------------------|---------------------|---------------------|----------------------|------------------|---------------------|
| | <u>Original</u> | <u>Additional</u> | <u>Final Budget</u> | | | <u>Budgetary</u> | <u>Final Budget</u> |
| | <u>Budget</u> | <u>Appropriations</u> | | | | <u>Basis</u> | |
| | | <u>and Transfers</u> | | | | | |
| Miscellaneous Revenues | | | | | | | |
| Investment interest | 1,250 | - | 1,250 | 5,607 | 4,357 | | |
| Miscellaneous | 5,450 | - | 5,450 | 8,081 | 2,631 | | |
| Firehouse hall rental | 3,000 | - | 3,000 | 3,400 | 400 | | |
| Cemetaries | 3,000 | - | 3,000 | 1,890 | (1,110) | | |
| Trade name | 50 | - | 50 | 100 | 50 | | |
| Land Use | 450 | - | 450 | (606) | (1,056) | | |
| Vital statistics and copies | - | - | - | 55 | 55 | | |
| | <u>13,200</u> | <u>-</u> | <u>13,200</u> | <u>18,527</u> | <u>5,327</u> | | |
| TOTAL REVENUES | \$ 8,043,516 | \$ - | \$ 8,043,964 | \$ 8,060,851 | \$ 16,887 | | |
| EXPENDITURES | | | | | | | |
| General Government | | | | | | | |
| Accountant | \$ 42,713 | \$ 980 | \$ 43,693 | \$ 41,887 | \$ 1,806 | | |
| Assessors | 39,834 | 647 | 40,481 | 40,262 | 219 | | |
| Board of Assessment Appeals | 230 | - | 230 | 197 | 33 | | |
| Building Grounds Maintenance | 74,039 | 36 | 74,075 | 67,806 | 6,269 | | |
| Building Inspector | 19,785 | 466 | 20,251 | 19,456 | 795 | | |
| Conservation Commission | 500 | - | 500 | 55 | 445 | | |
| Emergency Preparedness | 5,049 | 536 | 5,585 | 4,618 | 967 | | |
| Employee Benefits | 275,261 | (26,846) | 248,415 | 180,398 | 68,017 | | |
| Finance | 22,761 | 33 | 22,794 | 21,220 | 1,574 | | |
| Fire Marshall | 8,163 | 181 | 8,344 | 8,209 | 135 | | |
| General Government | 149,136 | (9,373) | 139,763 | 129,151 | 10,612 | | |
| Health and Social Services | 11,796 | - | 11,796 | 11,800 | (4) | | |
| Historic Commission | 475 | 150 | 625 | 603 | 22 | | |
| Inland/Wetland | 15,156 | 358 | 15,514 | 14,447 | 1,067 | | |
| Library | 70,592 | 836 | 71,428 | 70,255 | 1,173 | | |
| Open Burning Official | 1,439 | 36 | 1,475 | 1,475 | - | | |
| Park and Recreation | 22,094 | 96 | 22,190 | 14,999 | 7,191 | | |
| Planning & Zoning | 23,350 | 1,391 | 24,741 | 24,741 | - | | |
| Public works | 275,125 | 18,300 | 293,425 | 293,425 | - | | |
| Registrars | 15,818 | 209 | 16,027 | 12,960 | 3,067 | | |
| Resident Trooper | 168,127 | 6,134 | 174,261 | 174,261 | - | | |
| Sanitation | 166,438 | - | 166,438 | 160,880 | 5,558 | | |
| Selectman | 88,253 | 2,127 | 90,380 | 90,269 | 111 | | |
| Senior Center | 68,083 | 3,072 | 71,155 | 71,155 | - | | |
| Tax Collector | 29,608 | 1,881 | 31,489 | 31,489 | - | | |
| Town Clerk | 51,578 | 884 | 52,462 | 49,686 | 2,776 | | |
| Town memberships | 21,466 | 1,482 | 22,948 | 22,836 | 112 | | |
| Transfer station | 32,951 | 170 | 33,121 | 27,012 | 6,109 | | |
| Treasurer | 8,250 | 453 | 8,703 | 8,578 | 125 | | |
| Tree Warden- in Public Works | 1,439 | 36 | 1,475 | 1,475 | - | | |
| Vital Statistics | 562 | 13 | 575 | 529 | 46 | | |
| Volunteer Fire Department | 94,525 | 13,416 | 107,941 | 107,941 | - | | |
| Zoning Board of Appeals | 2,053 | -49 - 14 | 2,067 | 251 | 1,816 | | |
| See Independent Auditors' Report | <u>1,806,649</u> | <u>17,718</u> | <u>1,824,367</u> | <u>1,704,326</u> | <u>120,041</u> | | |

Town of Chaplin, Connecticut
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and actual (Budgetary Basis) – General Fund
June 30, 2017

| | | | | | |
|---|------------|--------------|------------|------------|------------|
| Capital Improvement | | | | | |
| Capital outlay | - | 14,911 | 14,911 | 13,181 | 1,730 |
| | - | 14,911 | 14,911 | 13,181 | 1,730 |
| Debt Service | | | | | |
| Debt service: USDA Library | 28,992 | 553 | 29,545 | 29,545 | - |
| | 28,992 | 553 | 29,545 | 29,545 | - |
| Total Town Government | 1,835,641 | 33,182 | 1,868,823 | 1,747,052 | 121,771 |
| Education Expenditures | | | | | |
| Elementary school | 3,410,936 | 236,330 | 3,647,266 | 3,647,266 | - |
| Regional school | 2,323,480 | (62,211) | 2,261,269 | 2,261,269 | - |
| Total Education | 5,734,416 | 174,119 | 5,908,535 | 5,908,535 | - |
| TOTAL EXPENDITURES | 7,570,057 | 207,301 | 7,777,358 | 7,655,587 | 121,771 |
| Excess (Deficiency) of Revenues | | | | | |
| Over Expenditures - Budgetary Basis | \$ 473,459 | \$ (207,301) | \$ 266,606 | 405,264 | \$ 138,658 |
| Adjustments to Generally Accepted Accounting Principles (GAAP) | | | | | |
| Payments on Behalf of the Town Not Recorded on a Budgetary Basis | | | | | |
| Revenues from Teachers' Retirement | | | | 656,050 | |
| Expenditures from Teachers' Retirement | | | | (656,050) | |
| Current year encumbrances recorded for budget purposes, not recorded under GAAP | | | | - | |
| Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses- GAAP Basis | | | | | |
| | | | | \$ 405,264 | |

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 on the budgetary basis payments made for the teachers' retirement by the State of Connecticut on the Town's behalf.

Town of Chaplin, Connecticut
Schedule of the Town's Proportionate Share of Net Pension Liability
Teachers Retirement Plan
June 30, 2017

| | <u>2017</u> |
|---|--------------------|
| Town's proportionate share of the net pension liability | \$ - |
| State's proportionate share of the net pension liability associated with the Town | <u>\$4,766,601</u> |
| Total | <u>\$4,766,601</u> |
| Town's covered-employee payroll | \$2,220,715 |
| Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 0% |
| Plan fiduciary net position as a percentage of the total pension liability | 52.26% |

Note: See notes to the financial statements for actuarial methods and assumptions.

Town of Chaplin, Connecticut

Combining Fund Financial Statements
June 30, 2017

Town of Chaplin, Connecticut
Combining Balance Sheet
Other Governmental Funds
June 30, 2017

| | Special Revenues | Permanent Fund - Cemetery | Total Other Governmental Funds |
|--|---------------------|---------------------------------|--------------------------------------|
| ASSETS | | | |
| Cash and equivalents | \$ 70,518 | \$ - | \$ 70,518 |
| Other receivables | | | |
| Intergovernmental | 15,375 | - | 15,375 |
| Due from other funds | 3,485 | 5,695 | 9,180 |
| Inventories | 1,564 | - | 1,564 |
| Total Assets | \$ 90,942 | \$ 5,695 | \$ 96,637 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities | | | |
| Accounts payable | \$ 307 | \$ - | \$ 307 |
| Accrued payroll and related | 3,520 | - | 3,520 |
| Due to other funds | 47,620 | - | 47,620 |
| Unearned revenues | - | - | - |
| Total Liabilities | 51,447 | - | 51,447 |
| Fund Balances (Deficits) | | | |
| Nonspendable | 1,564 | 5,925 | 7,489 |
| Restricted | - | - | - |
| Committed | - | - | - |
| Assigned | 60,359 | - | 60,359 |
| Unassigned | (22,428) | (230) | (22,658) |
| Total Fund Balances | 39,495 | 5,695 | 45,190 |
| Total Liabilities and Fund Balances | \$ 90,942 | \$ 5,695 | \$ 96,637 |

Town of Chaplin, Connecticut
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
June 30, 2017

| | Special Revenues | Permanent Fund - Cemetery | Total Other Governmental Funds |
|---------------------------------------|---------------------|---------------------------------|--------------------------------------|
| REVENUES | | | |
| Intergovernmental | \$ 61,265 | \$ - | \$ 61,265 |
| Charges for services | 81,646 | - | 81,646 |
| Miscellaneous revenue | <u>865</u> | - | <u>865</u> |
| Total Revenues | <u>143,776</u> | <u>-</u> | <u>143,776</u> |
| EXPENDITURES | | | |
| General government | 22,952 | - | 22,952 |
| Education | <u>112,090</u> | <u>-</u> | <u>112,090</u> |
| Total Expenditures | <u>135,042</u> | <u>-</u> | <u>135,042</u> |
| Excess (Deficiency) of Revenues | | | |
| Over expenditures | <u>8,734</u> | <u>-</u> | <u>8,734</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | - | - |
| Transfers out | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balance | 8,734 | - | 8,734 |
| Fund Balances - Beginning of Year | <u>30,761</u> | <u>5,695</u> | <u>36,456</u> |
| Fund Balances - End of Year | <u>\$ 39,495</u> | <u>\$ 5,695</u> | <u>\$ 45,190</u> |

Town of Chaplin, Connecticut
 Combining Balance Sheet
 Special Revenue Funds
 June 30, 2017

| | Library Restoration | Chaplin Library | Senior Center | Recreation Commission | Pre-School & After School Program | Child Nutrition | Total Special Revenue Funds |
|--------------------------------------|------------------------|--------------------|------------------|--------------------------|--|--------------------|-----------------------------------|
| ASSETS | | | | | | | |
| Cash and equivalents | \$ - | \$ 22,286 | \$ 24,354 | \$ 10,353 | \$ 2,581 | \$ 10,944 | \$ 70,518 |
| Other receivables | | | | | | | |
| Intergovernmental | - | - | - | - | 5,229 | 10,146 | 15,375 |
| Due from other funds | 3,485 | - | - | - | - | - | 3,485 |
| Inventories | - | - | - | - | - | 1,564 | 1,564 |
| Total Assets | \$ 3,485 | \$ 22,286 | \$ 24,354 | \$ 10,353 | \$ 7,810 | \$ 22,654 | \$ 90,942 |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Liabilities | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ 119 | \$ - | \$ 21 | \$ 167 | \$ 307 |
| Accrued payroll and related | - | - | - | - | - | 3,520 | 3,520 |
| Due to other funds | - | - | - | - | 19,716 | 27,904 | 47,620 |
| Unearned revenues | - | - | - | - | - | - | - |
| Total Liabilities | - | - | 119 | - | 19,737 | 31,591 | 51,447 |
| Fund Balances (Deficits) | | | | | | | |
| Nonspendable | - | - | - | - | - | 1,564 | 1,564 |
| Restricted | - | - | - | - | - | - | - |
| Committed | - | - | - | - | - | - | - |
| Assigned | 3,485 | 22,286 | 24,235 | 10,353 | - | - | 60,359 |
| Unassigned | - | - | - | - | (11,927) | (10,501) | (22,428) |
| Total Fund Balances | 3,485 | 22,286 | 24,235 | 10,353 | (11,927) | (8,937) | 39,495 |
| Total Liabilities and Fund Balances | \$ 3,485 | \$ 22,286 | \$ 24,354 | \$ 10,353 | \$ 7,810 | \$ 22,654 | \$ 90,942 |

Town of Chaplin, Connecticut
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Special Revenue Funds
 For the Year Ended June 30, 2017

| | Library Restoration | Chaplin Library | Senior Center | Recreation Commission | Pre-School & After School | Child Nutrition | Total Special Revenue Funds |
|--|------------------------|--------------------|------------------|--------------------------|---------------------------------|--------------------|-----------------------------------|
| REVENUES | | | | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 61,265 | \$ 61,265 |
| Charges for services | - | 28 | 18,890 | 6,575 | 29,191 | 26,962 | 81,646 |
| Miscellaneous revenue | - | 165 | - | 700 | - | - | 865 |
| Total Revenues | <u>-</u> | <u>193</u> | <u>18,890</u> | <u>7,275</u> | <u>29,191</u> | <u>88,227</u> | <u>143,776</u> |
| EXPENDITURES | | | | | | | |
| General government | - | 1,052 | 15,203 | 6,697 | - | - | 22,952 |
| Education | - | - | - | - | 20,063 | 92,027 | 112,090 |
| Total Expenditures | <u>-</u> | <u>1,052</u> | <u>15,203</u> | <u>6,697</u> | <u>20,063</u> | <u>92,027</u> | <u>135,042</u> |
| Excess (Deficiency) of Revenues | | | | | | | |
| Over expenditures | - | (859) | 3,687 | 578 | 9,128 | (3,800) | 8,734 |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Transfers in | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balance | - | (859) | 3,687 | 578 | 9,128 | (3,800) | 8,734 |
| Fund Balances - Beginning of Year | 3,485 | 23,145 | 20,548 | 9,775 | (21,055) | (5,137) | 30,761 |
| Fund Balances - End of Year | <u>\$ 3,485</u> | <u>\$ 22,286</u> | <u>\$ 24,235</u> | <u>\$ 10,353</u> | <u>\$ (11,927)</u> | <u>\$ (8,937)</u> | <u>\$ 39,495</u> |

Town of Chaplin, Connecticut
 Combining Statement of Net Position
 Agency Funds
 June 30, 2017

| | <u>Beginning</u> | <u>Additions</u> | <u>Deductions</u> | <u>Ending</u> |
|--------------------|------------------|------------------|-------------------|----------------|
| | <u>Balance</u> | | | <u>Balance</u> |
| ASSETS | | | | |
| Cash | \$ 11,437 | \$20,744 | \$ (22,124) | \$ 10,057 |
| LIABILITIES | | | | |
| Due to others | \$ 11,437 | \$20,744 | \$ (22,124) | \$ 10,057 |

Town of Chaplin, Connecticut

Supplementary Schedules
June 30, 2017

Town of Chaplin, Connecticut
 Report of the Property Tax Collector
 June 30, 2017

| Grand List Year | Beginning Receivable Balance | Current Year Levy | Lawful Corrections | | | Net Taxes Collectible | Collections During the Year | | | | Receivable Balance | Refunds | Net Ending Receivable Balance |
|-----------------|------------------------------|---------------------|--------------------|---------------|------------------|-----------------------|-----------------------------|------------------|-----------------|---------------------|--------------------|-------------|-------------------------------|
| | | | Additions | Deletions | Suspense | | Taxes | Interest | Fees & Liens | Total | | | |
| 2015 | \$ - | \$ 5,725,813 | \$ 14,557 | \$ - | \$ 29,041 | \$ 5,711,329 | \$ 5,604,823 | \$ 27,029 | \$ 5,570 | \$ 5,637,422 | \$ 106,506 | \$ - | \$ 106,506 |
| 2014 | 77,663 | - | - | 893 | 1,776 | 74,994 | 31,376 | 6,467 | 813 | 38,656 | 43,618 | - | 43,618 |
| 2013 | 19,554 | - | - | - | - | 19,554 | 3,956 | 1,493 | 299 | 5,748 | 15,598 | - | 15,598 |
| 2012 | 3,735 | - | - | - | - | 3,735 | 674 | 418 | 81 | 1,173 | 3,061 | - | 3,061 |
| 2011 | 4,661 | - | - | - | - | 4,661 | 842 | 696 | 127 | 1,665 | 3,819 | - | 3,819 |
| 2010 | 3,056 | - | - | - | - | 3,056 | 716 | 585 | 143 | 1,444 | 2,340 | - | 2,340 |
| 2009 | 2,130 | - | - | - | - | 2,130 | - | - | - | - | 2,130 | - | 2,130 |
| 2008 | 363 | - | - | - | - | 363 | - | - | - | - | 363 | - | 363 |
| | <u>\$ 111,162</u> | <u>\$ 5,725,813</u> | <u>\$ 14,557</u> | <u>\$ 893</u> | <u>\$ 30,817</u> | <u>\$ 5,819,822</u> | <u>\$ 5,642,387</u> | <u>\$ 36,688</u> | <u>\$ 7,033</u> | <u>\$ 5,686,108</u> | <u>\$ 177,435</u> | <u>\$ -</u> | <u>\$ 177,435</u> |

Town of Chaplin, Connecticut
Statement of Changes in Fund Balance
Capital Improvement Program
June 30, 2017

| | Beginning Fund Balance | Approved Budget | | Intrafund Transfers | Revenues | Current Year Expenditures | Transfers and Close-Outs | Ending Fund Balance |
|-----------------------------------|---------------------------|-------------------|-------------|------------------------|-------------------|------------------------------|-----------------------------|------------------------|
| | | Original | Additional | | | | | |
| Allocated to Projects | | | | | | | | |
| Board of Education | | | | | | | | |
| Classroom Blinds | \$ (325) | \$ 6,000 | | \$ - | \$ - | \$ - | \$ - | \$ 5,675 |
| Polaris Ranger | 405 | - | - | - | - | - | - | 405 |
| Repair Damage Curbs | - | 5,500 | - | - | - | (5,500) | - | - |
| General Government | | | | | | | | |
| Assessor - Phase II | 31,764 | - | - | - | - | (6,443) | - | 25,321 |
| Comprehensive plan of development | 10,293 | - | - | - | - | - | - | 10,293 |
| Open space conservation | 625 | 10,000 | - | - | - | - | - | 10,625 |
| N. bear hill bridge | 781,348 | - | - | (203,289) | 108,807 | (159,318) | - | 527,548 |
| Darling pond | (43,788) | - | - | 24,711 | 47,977 | (28,901) | - | (1) |
| Museum | 25,000 | 10,000 | - | - | - | - | - | 35,000 |
| Playscape | - | 30,000 | - | 6,471 | - | (44,157) | 5,860 | (1,826) |
| Public Safety | | | | | | | | |
| Emergency preparedness | 1,057 | - | - | - | - | - | - | 1,057 |
| Thermal Imaging Camera | 247 | - | - | - | - | - | (247) | - |
| Fire Hose | 10,000 | - | - | - | - | - | - | 10,000 |
| Firefighter gear | - | 6,000 | - | - | - | - | - | 6,000 |
| SCBA Bottles | 2 | - | - | - | - | - | - | 2 |
| Service Truck | 500 | - | - | - | - | - | (500) | - |
| Transport Trailer | - | 14,500 | - | - | - | (13,860) | (640) | - |
| Vehicle Replacement | - | 20,000 | - | - | - | - | - | 20,000 |
| Public Works/Highway | | | | | | | | |
| Roads | (5,290) | 175,606 | - | - | - | (196,588) | - | (26,272) |
| N. bear hill drainage | 37,089 | - | - | 203,289 | - | - | - | 240,378 |
| Parish Hill Road Drainage | 40,000 | - | - | (40,000) | - | - | - | - |
| Equipment Replacement | (8,818) | - | - | 8,818 | - | - | - | - |
| Plow Truck Replacement | 1,640 | - | - | - | - | (510) | - | 1,130 |
| Vehicle Replacement | - | 45,000 | - | - | - | - | - | 45,000 |
| Tower hill road bridge | (32) | - | - | - | - | - | 32 | - |
| Total Allocated Fund Balance | 881,717 | 322,606 | - | - | 156,784 | (455,277) | 4,505 | 910,335 |
| Unallocated Fund Balance | 37,864 | - | - | - | - | - | 20,344 | 58,208 |
| Total Fund Balance | \$ 919,581 | \$ 322,606 | \$ - | \$ - | \$ 156,784 | \$ (455,277) | \$ 24,849 | \$ 968,543 |

Town of Chaplin, Connecticut

Internal Control and Compliance Reports
June 30, 2017



Guiding Successful People

Ansonia
158 Main Street, Suite 301
Ansonia, Connecticut 06401
P: 203-732-2311

Killingworth
166 Route 81
Killingworth, Connecticut 06419
P: 860-663-0110

New Haven
900 Chapel Street, Suite 620
New Haven, Connecticut 06510
P: 203-773-0384

Stratford
2296 Main Street
Stratford, Connecticut 06615
P: 203-377-8473

Principals
John A. Accavallo CPA
Darin L. Offerdahl MBA CPA

Francis H. Michaud Jr. CPA*
Sandra M. Woodbridge CPA*
Dominic L. Cusano MBA CPA*
*indicates retired

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*

The Board of Selectmen
Town of Chaplin, Connecticut

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Chaplin, Connecticut (“Town”) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Chaplin’s basic financial statements and have issued our report thereon dated November 15, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Chaplin, Connecticut’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider material weaknesses.

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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a 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 in the accompanying schedule of findings and questioned costs as items 2008-1 and 2017-1 to be material weaknesses.

A *significant deficiency* is a deficiency, or a 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Chaplin, Connecticut's financial statements are free from 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*.

Town of Chaplin, Connecticut's Response to Findings

Town of Chaplin, Connecticut's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Town of Chaplin, Connecticut's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Michaud Accavallo Woodbridge & Cusano, LLC

Killingworth, Connecticut
November 15, 2017

Town of Chaplin, Connecticut

State Single Audit
June 30, 2017



Ansonia
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*indicates retired

Guiding Successful People

**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE
OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY THE STATE
SINGLE AUDIT ACT**

Independent Auditor's Report

The Board of Selectmen
Town of Chaplin, Connecticut

Report on Compliance for Each Major State Program

We have audited the Town of Chaplin, Connecticut's compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Town of Chaplin, Connecticut's major state programs for the year ended June 30, 2017. The Town of Chaplin, Connecticut's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Chaplin, Connecticut's major state programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major state program. However, our audit does not provide a legal determination of the Town of Chaplin, Connecticut's compliance.

Opinion on Each Major State Program

In our opinion, the Town of Chaplin, Connecticut, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the Town of Chaplin, Connecticut, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Chaplin, Connecticut's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

We have audited the financial statements of the Town of Chaplin, Connecticut, as of and for the year ended June 30, 2017 and have issued our report thereon dated November 15, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion 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 is the responsibility of management, was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

Michaud Accavallo Woodbridge & Cusano, LLC

Killingworth, Connecticut
November 15, 2017

Town of Chaplin, Connecticut

Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2017

| State Program Pass-Through Grantor Program Title | State Grant Program Core- CT Number | Expenditures |
|---|--|---------------------|
| Connecticut State Library | | |
| Historic Documents Preservation Grants | 12060-CSL66094-35150 | \$ 4,000 |
| Department of Revenue Services | | |
| Other Expense | 11000-DRS16312-10020 | 10 |
| Judicial Branch | | |
| Funds Held for Others | 34001-JUD95162-40001 | 4,125 |
| Department of Transportation | | |
| Small Town Econ Assistance Prog DOT | 12052-DOT57131-43455 | 188,998 |
| Town Aid Roads | 12062-DOT57191-22108 | 108,807 |
| Total Department of Transportation | | 297,805 |
| Department of Environmental Protection | | |
| Small Town Econ Assistance Prog DEP | 12052-DEP43740-40531 | 47,977 |
| Office of Policy and Management | | |
| Property Tax Relief for Disability Exemption | 11000-OPM20600-17011 | 413 |
| Property Tax Relief for Elderly and Totally Disabled (CB) | 11000-OPM20600-17018 | 15,857 |
| Property Tax Relief for Veterans | 11000-OPM20600-17024 | 480 |
| PILOT on State Owned Property | 11000-OPM20600-17004 | 51,659 |
| Municipal Purposes and Projects | 12052-OPM20600-43587 | 601 |
| Total Office of Policy and Management | | 69,010 |
| Department of Education | | |
| Early Childhood Program | 11000-OEC64845-12113 | 119,700 |
| School Breakfast Program | 11000-SDE64370-17046 | 2,913 |
| Child Nutrition Program (School Lunch State Match) | 11000-SDE64370-16211 | 895 |
| Health Foods Initiative | 11000-SDE64370-16212 | 1,814 |
| Adult Education | 11000-SDE64370-17030 | 2,919 |
| School Readiness Quality Enhancement | 11000-OEC64845-17097 | 3,881 |
| Total Department of Education before Exempt Programs | | 132,122 |
| Total Non-Exempt State Financial Assistance | | \$ 555,049 |
| EXEMPT PROGRAMS | | |
| Department of Education | | |
| Education Cost Sharing | 11000-SDE64370-17041 | \$ 1,856,992 |
| Office of Policy and Management | | |
| Mashantucket Pequot/Mohegan Fund | 12009-OPM20600-17005 | 79,763 |
| Municipal Revenue Sharing | 12002-OPM20600-17102 | 59,255 |
| Total Exempt programs | | 1,996,010 |
| Total State Financial Assistance | | \$ 2,551,059 |

Town of Chaplin, Connecticut

Notes to the Schedule of Expenditures of State Financial Assistance Year Ended June 30, 2017

The accompanying schedule of expenditures of state financial assistance includes state grant activity of the Town of Chaplin under programs of the State of Connecticut for the fiscal year ended June 30, 2017. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including capital projects and education.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Chaplin conform to accounting principles generally accepted in the United States of America as applicable to governmental organizations. The information in the Schedule of Expenditures of State Financial Assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

Basis of Accounting

The expenditures reported on the Schedule of Expenditures of State Financial Assistance are reported on the modified accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

Town of Chaplin, Connecticut

Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported
- Noncompliance material to financial statements noted yes no

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? yes no

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

| <u>State Grantor and Program State</u> | <u>Core-CT Number</u> | <u>Expenditures</u> |
|--|------------------------------|----------------------------|
| Department of Transportation | | |
| Small Town Econ Assistance Prog DOT | 12052-DOT57131-43455 | \$188,998 |
| Town Aid Roads | 12062-DOT57191-22108 | \$108,807 |
| Department of Education | | |
| Early Childhood Program | 11000-OEC64845-12113 | \$119,700 |
| Dollar threshold used to distinguish between type A and type B programs: | | \$100,000 |

Town of Chaplin, Connecticut

Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Section II - Financial Statement Findings

2008-1 – 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.
- *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: As of year-end, the Town is developing an accounting and controls manual that outlines the flow of transactions, responsibilities, oversight and procedures. This manual and establishment of documented policies and procedures allows for proper oversight and monitoring of policies and procedures. This manual is now expected to be in place as of June 30, 2018.

Town of Chaplin, Connecticut

Schedule of Findings and Questioned Costs Year Ended June 30, 2017

2017-1 – Material Weakness over Budgetary Monitoring

Criteria: The Board of Finance is authorized to transfer unexpended balances from one appropriation to another throughout the year. In addition, the Town should have a formal purchase order process in place that is adhered to in order to ensure budgetary compliance.

Condition: During our audit we noted that requests were made of the Board of Finance for transfers of unexpended balances from one appropriation to another only after expenditures in excess of the original departmental appropriations were incurred. In addition, we noted that purchases for goods and services were often made without or prior to having an approved purchase order.

Effect: Expenditures in excess of original departmental appropriations were incurred prior to being authorized by the Board of Finance.

Cause: This deficiency is related to the material weakness reported in the Town's internal control over financial reporting (refer to 2008-1), combined with a lack of adherence to a formal purchase order process.

Auditor's Recommendation: We recommend that the Town address the material weakness reported in the Town's internal control over financial reporting. In addition, we recommend that the Town implement safeguards to ensure that the Town's purchase order policy is adhered to and that actions be taken in the event of unapproved deviations from the policy. The benefits of an effective purchase order process are obtaining the approval of an expenditure before it is incurred and allowing the appropriate individuals to manage budgetary commitments. This process should allow for the timely identification of potential budgetary overruns so that transfer requests can be made of the Board of Finance prior to incurring the expenditures.

Management Response: The Town intends to take the appropriate actions to strengthen its internal control and remedy the conditions giving rise to this reported deficiency.

Section III - State Financial Assistance Findings and Questioned Costs

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

Town of Chaplin, Connecticut

Summary Schedule of Prior Audit Findings Year Ended June 30, 2017

2008-1 – 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.

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.

Current Status: Repeated with the same number.