

Town of Chaplin, Connecticut
Financial Statements
For the Year Ended June 30, 2006

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CERTIFIED PUBLIC ACCOUNTANTS + ADVISORS

**Town of Chaplin, Connecticut
For the Year Ended June 30, 2006**

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CERTIFIED PUBLIC ACCOUNTANTS + ADVISORS

INDEPENDENT AUDITORS' REPORT

Board of Finance
Town of Chaplin, Connecticut
Chaplin, Connecticut

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Chaplin, Connecticut as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Chaplin, Connecticut's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Town has made a prior period adjustment to reduce the capitalization threshold in the Board of Education equipment.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Chaplin, Connecticut as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis immediately following this report and budgetary comparison information included in Required Supplementary Information (RSI) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Chaplin, Connecticut's basic financial statements. The combining and individual fund financial statements and schedules for the year ended June 30, 2006 listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated August 31, 2006 on our consideration of the Town of Chaplin, Connecticut's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Marion + Company

August 31, 2006

**Town of Chaplin, Connecticut
Management's Discussion and Analysis
June 30, 2006**

Our discussion and analysis of Town of Chaplin, Connecticut's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the Town's financial statements, which begin with Exhibit 1.

FINANCIAL HIGHLIGHTS

- The Town's net assets increased by \$782,849 as a result of this year's operations.
- The Town's fund balance also increased. The increase for all funds totaled \$297,170.

USING THIS ANNUAL REPORT

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

Reporting the Town as a Whole

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

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

**Town of Chaplin, Connecticut
Management's Discussion and Analysis
June 30, 2006**

In the Statement of Net Assets and the Statement of Activities, the Town only reports governmental activities. These are the Town's basic services, including the education, public works, and general administration. Property taxes, state and federal grants and local revenues such as fees and licenses finance most of these activities.

Reporting the Town's Most Significant Funds

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

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

The Town as Trustee

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

THE TOWN AS A WHOLE

The Town's net assets increased by \$782,849 from a year ago—*increasing* from \$5,299,275 to \$6,082,124. Last year net assets increased by \$373,673. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town.

**Town of Chaplin, Connecticut
Management's Discussion and Analysis
June 30, 2006**

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

	2006	Change During Year		2005
		Dollars	Percent	
Current and other assets	\$ 2,502,318	\$ 110,005	4.60%	\$ 2,392,313
Capital assets	5,716,886	513,785	9.87%	5,203,101
Total assets	<u>8,219,204</u>	<u>623,790</u>	8.21%	<u>7,595,414</u>
Long-term debt outstanding	1,738,244	(275,456)	-13.68%	2,013,700
Other liabilities	398,836	116,397	41.21%	282,439
Total liabilities	<u>2,137,080</u>	<u>(159,059)</u>	-6.93%	<u>2,296,139</u>
Net assets:				
Invested in capital assets, net of related debt	4,149,623	789,241	23.49%	3,360,382
Restricted	5,925	-	0.00%	5,925
Unrestricted	1,926,576	(6,392)	-0.33%	1,932,968
Total net assets	<u>\$ 6,082,124</u>	<u>\$ 782,849</u>	14.77%	<u>\$ 5,299,275</u>

Net assets invested in capital assets increased most significantly by \$789,241. This is the result of additions in capital assets totaling \$599,428 for continued construction to the firehouse. Much of the balance of the change was the result of the decrease in debt for capital assets of \$275,456 being larger than the depreciation for the year in the amount of \$156,767.

**Table 2
Change in Net Assets**

	2005	Change		2005
		Amount	Percent	
Revenues				
Program revenues:				
Charges for services	\$ 223,715	\$ 25,767	13.02%	\$ 197,948
Operating grants and contributions	2,275,403	238,265	11.70%	2,037,138
Capital grants and contributions	729,096	353,406	94.07%	375,690
General revenues:				
Property taxes	4,208,819	352,929	9.15%	3,855,890
Grants and contributions	128,390	(5,748)	-4.29%	134,138
Interest and investment earnings	42,523	17,765	71.75%	24,758
Other general revenues	16,852	(34,924)	-67.45%	51,776
Total revenues	<u>7,624,798</u>	<u>947,460</u>	14.19%	<u>6,677,338</u>
Program expenses				
General government	1,373,721	413	0.03%	1,373,308
Education	5,360,768	554,654	11.54%	4,806,114
Interest on long-term debt	107,460	(16,782)	-13.51%	124,242
Total expenses	<u>6,841,949</u>	<u>538,285</u>	8.54%	<u>6,303,664</u>
Increase (decrease) in net assets	<u>\$ 782,849</u>	<u>\$ 409,175</u>	109.50%	<u>\$ 373,674</u>

**Town of Chaplin, Connecticut
Management's Discussion and Analysis
June 30, 2006**

Property taxes comprise 55% of the total government-wide revenues. As a percentage of total revenue, this is down from 58% in 2005. In dollars, the Town's total tax revenue increased by just 9.15% (\$352,929) this year. Most of this was due to an increase in the mill rate of 2.1 mills from 31 mills to 33.1 mills. For the 2006 fiscal year, each mill generated approximately \$127,500 in tax dollars.

Another large increase from 2005 to 2006 was in capital grants and contributions. These increased by \$353,406 from \$375,690 in 2005 to \$729,096 in 2006. The \$373,663 increase in revenue earned on the grant for the firehouse was the primary cause of this change.

Lastly, the Town enjoyed an increase in operating grants and contributions of \$238,265. Most of this was due to revenue and expenses that are never actually received by the Town. The State pays for the teachers' retirement benefits. The amount funded by the State is recorded as an education expense and an operating grant. The amount funded in 2006 increased dramatically when the State-wide teachers' union pushed the State legislature for additional funding. This increase will cause a similar increase in education expenses for the year.

Total expenditures increased by \$538,285 or 8.54%. The general government's increase was only \$413 or .03%. The education spending increased by \$554,654 or 11.54%. As discussed above, a large part of this was due to the increase in the teachers' retirement costs. The balance was due to general education increases. Interests costs on long-term debt decreased in conjunction with the decrease in the debt principal.

The cost of all governmental activities this year was \$6,841,949 compared to \$6,303,664 last year. However, as shown in the Statement of Activities on Exhibit 2, the amount that taxpayers ultimately financed for these activities through Town taxes was only \$4,208,819 because some of the cost was paid by those who directly benefited from the programs (\$223,715) or by other governments and organizations that subsidized certain programs with grants and contributions (\$3,004,499).

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. While the general government's total cost of services remained nearly unchanged, as discussed above, the net cost of the general government's services decreased by 37.54%. This is due to the capital grant for firehouse construction. The grant received is included as income, but the payments out are capitalized and therefore not included in costs. They will be included in costs in later years as they are depreciated. Likewise, the education costs increased by 11.54%, but the net costs only increased by 7.90%. As discussed above, with respect to the teachers' retirement increase, the increase in costs was offset by the increase in the related revenue.

**Town of Chaplin, Connecticut
Management's Discussion and Analysis
June 30, 2006**

Table 3

	Total Cost of Services		Incr. Decr.	Net Cost of Services		Incr. Decr.
	2006	2005		2006	2005	
Governmental Activities						
General government	\$ 1,373,721	\$ 1,373,308	0.03%	\$ 473,305	\$ 757,815	-37.54%
Education	5,360,768	4,806,114	11.54%	3,032,970	2,810,831	7.90%
Totals	<u>\$ 6,734,489</u>	<u>\$ 6,179,422</u>	8.98%	<u>\$ 3,506,275</u>	<u>\$ 3,568,646</u>	-1.75%

THE TOWN'S FUNDS

The year showed an increase in net assets of \$782,849 in the government-wide statements (Exhibit 1 and 2) on a full accrual basis measuring long-term health. The Town also showed an increase in fund balance in the governmental funds of \$297,170 as presented in Exhibits 3 and 4. These statements are on the modified accrual basis and are more a measure of short-term health. In the fund balance principal payments on long-term debt are a reduction in fund balance when the payments on the debt are made. Debt payments are never a direct reduction in net assets on the government-wide statements. Likewise, purchases of capital assets are a reduction in fund balance when the purchase is made. Capital asset purchases are never a direct reduction in net assets on the government-wide statements.

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

- The capital improvement program continued to be used for capital and nonrecurring projects. A summary of the year's transactions, by project, can be found in Schedule 2 in the back of the financial statements.
- The firehouse project was completed. The total costs for the firehouse paid from this project were \$986,046. This was funded over several years by \$985,000 in grant monies from the State of Connecticut.
- For the first time in several years, the Pre-School Program Fund reported more revenue than expenditures. Some expenditures that used to be reported in this fund were instead reported in the General Fund. The Board of Finance and the Board of Education are working together to reduce the deficit fund balance of \$76,896 in that fund.

General Fund Budgetary Highlights

Over the course of the year, the Board of Finance can revise the Town budget with additional appropriations and budget transfers. Additional appropriations increase the total budget. The Board of Finance is allowed by State Statute to make one additional appropriation up to \$20,000 per line item or department. A second additional appropriation or an appropriation over \$20,000 requires a Town Meeting. Transfers do not increase the total budget, but instead pulls appropriations from one department that might have excess funding, to another

**Town of Chaplin, Connecticut
Management's Discussion and Analysis
June 30, 2006**

department that needs additional funding. State Statutes allow these transfers to be made by the Board of Finance without a Town Meeting.

During the year, the Town made no additional appropriations. The final expenditures were \$35,273 (.5%) under the original budget.

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

**Table 4
General Fund - Budget Summary**

	Final Budget	Actual	Variance
Revenues			
Property Taxes	\$ 4,040,837	\$ 4,086,826	\$ 45,989
Intergovernmental	2,378,265	2,375,974	(2,291)
Other Revenue	116,503	203,263	86,760
Total Revenues	6,535,605	6,666,063	130,458
Expenditures			
General Government	1,251,792	1,252,383	(591)
Education	4,832,787	4,800,283	32,504
Debt Service	389,978	386,618	3,360
Transfer to Capital Improvement Program	47,000	47,000	-
Total Expenditures	6,521,557	6,486,284	35,273
Excess (Deficiencies) of Revenues Over Expenditures	\$ 14,048	\$ 179,779	\$ 165,731

The Town's actual revenues were \$130,458 higher than the budgeted revenues. Significant variances are summarized as follows:

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

Tax Collections are generally analyzed by percentages. The most common is the percentage of taxes collected in the current year compared to the current year levy. This would indicate what percentage of the taxpayers paid their taxes in the year in which they were due. The Town collected 98.12% of the current year taxes during the year. This is slightly higher than the budgeted collection rate of 97.93% and resulted in \$5,560 higher collections than budgeted. Strong back tax collections of \$29,177 over budget and interest and lien fees of \$10,563 over budget contributed to property taxes being \$45,989 over budget.

**Town of Chaplin, Connecticut
Management's Discussion and Analysis
June 30, 2006**

- Intergovernmental revenues were \$2,291 lower than budgeted. Some of the individual variances in this category were the result of the Town approving the Town's budget before the State approved the State's budget.
- Other revenue was \$86,760 over budget. Contributing to this was:
 - A one time grant from the State of Connecticut for joining a health district.
 - Investment interest is higher than budgeted. Although the interest rate remains in the low single digits, it has nearly doubled since last year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2006, the Town had \$5,716,886 invested in capital assets (net of accumulated depreciation). This amount represents a net increase (including additions and deductions) of \$513,785 over last year. In total there was a \$599,428 increase to the assets for the construction in progress on the firehouse. This was offset by \$156,767 of annual depreciation. More detailed information about the Town's capital assets is presented in Note 5 to the financial statements.

Debt

At year end, the Town had \$1,567,263 in bonds outstanding. This is a decrease of \$275,456 from last year. The Town does not have a current bond rating since it has not been required to issue debt in a number of years. More detailed information about the Town's long-term liabilities is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

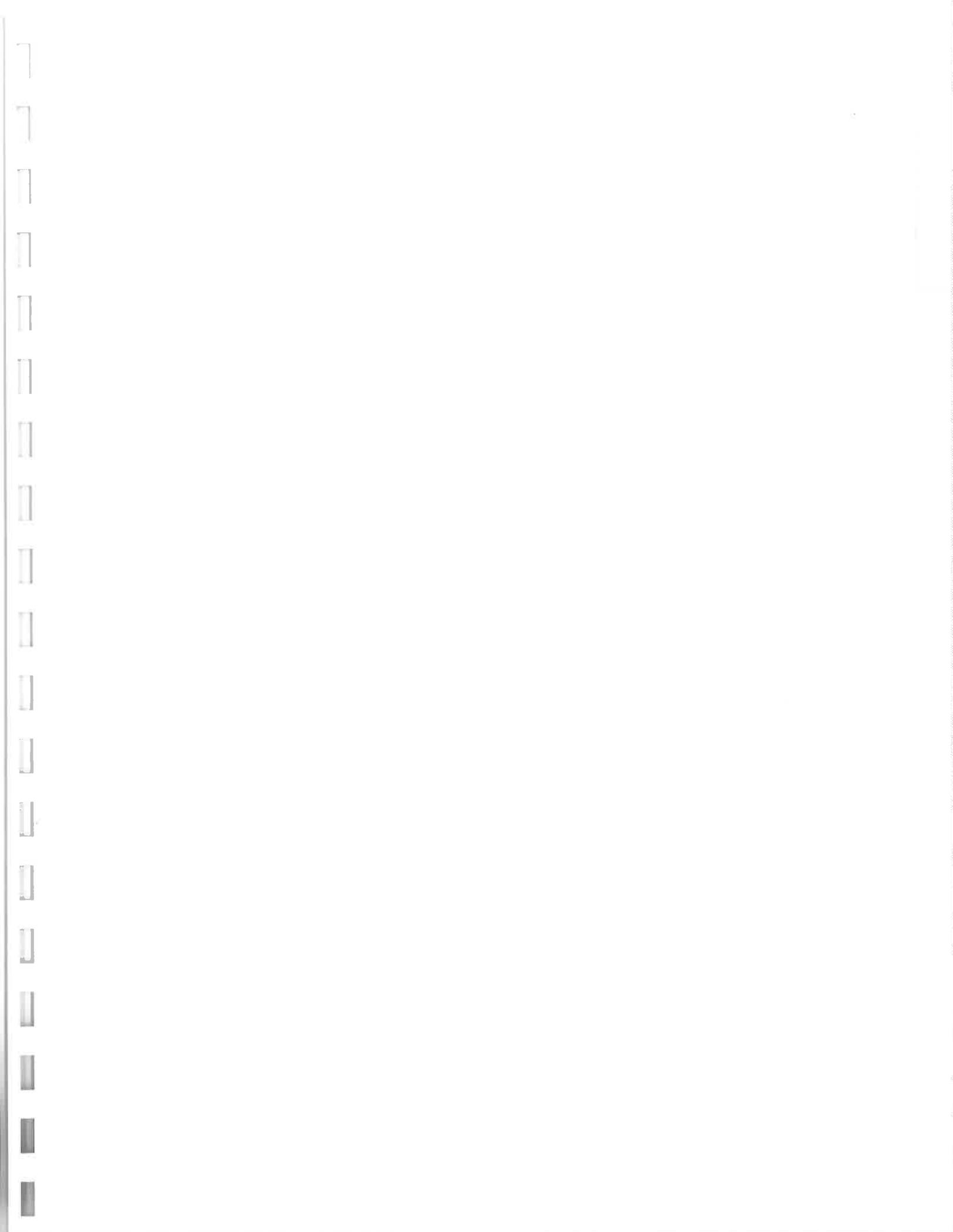
The Town's elected and appointed officials considered many factors when setting the fiscal-year 2007 budget and tax rates. In recent years the real estate market has been very strong, but interest rates have started to move up slowly. This may slow the market and therefore slow tax collections as people must be current on their taxes to sell or refinance. This would also reduce the increased income from conveyance taxes, refinancing and recording fees. The State provides most of the intergovernmental revenues. The State was not expected to increase grants more than slightly.

These indicators were taken into account when adopting the General Fund budget for 2007. The Board of Finance elected to keep the increase in the mill rate to a minimum (.7 mills) and use \$222,982 of accumulated fund balance to offset a larger tax increase.

**Town of Chaplin, Connecticut
Management's Discussion and Analysis
June 30, 2006**

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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



Town of Chaplin, Connecticut
Statement of Net Assets
June 30, 2006

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,288,984
Receivables, net of allowance for collection losses	1,146,829
Due from related parties	65,205
Inventory	1,300
Capital assets, net of accumulated depreciation	5,716,886
Total assets	8,219,204
LIABILITIES	
Accounts payable	200,783
Accrued wages and benefits	154,980
Accrued interest	27,615
Deferred revenue	15,458
Noncurrent liabilities:	
Due within one year	296,371
Due in more than one year	1,441,873
Total liabilities	2,137,080
NET ASSETS	
Invested in capital assets, net of related debt	4,149,623
Restricted net assets:	
Nonexpendable	5,925
Unrestricted net assets	1,926,576
Total net assets	\$ 6,082,124

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

Town of Chaplin, Connecticut
Statement of Activities
For the Year Ended June 30, 2006

	Program Specific Revenues			Net (Expense) Revenue
	Charges for Services	Grants and Contributions Operating	Capital	
Functions/Programs				
Governmental activities:				
General government	\$ (1,373,721)	\$ 143,197	\$ 617,069	\$ (473,305)
Education	(5,360,768)	2,132,206	112,027	(3,032,970)
Interest on long-term debt	(107,460)	-	-	(107,460)
Total primary government	\$ (6,841,949)	\$ 2,275,403	\$ 729,096	(3,613,735)
General revenues:				
Property taxes, payments in lieu of taxes, interest and liens				4,208,819
Grants and contributions				128,390
Interest and investment earnings				42,523
Miscellaneous				16,852
Total general revenues				<u>4,396,584</u>
Changes in net assets				782,849
Net assets, beginning of the year				<u>5,299,275</u>
Net assets, end of the year				<u>\$ 6,082,124</u>

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

Town of Chaplin, Connecticut
Balance Sheet
Governmental Funds
June 30, 2006

	General Fund	Capital Improvement Program	Firehouse Project	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 1,095,481	\$ 67,933	\$ -	\$ 125,570	\$ 1,288,984
Receivables	1,138,477	-	-	8,352	1,146,829
Inventory	-	-	-	1,300	1,300
Due from other governmental funds	142,280	62,549	-	52,240	257,069
Due from related parties	55,027	-	-	12,425	67,452
Total assets	\$ 2,431,265	\$ 130,482	\$ -	\$ 199,887	\$ 2,761,634
Liabilities and fund balance					
Liabilities					
Accounts payable	\$ 187,913	\$ -	\$ -	\$ 12,870	\$ 200,783
Accrued expenses	154,980	-	-	-	154,980
Deferred revenue	1,122,120	-	-	15,458	1,137,578
Due to other governmental funds	114,789	-	571	141,709	257,069
Due to related parties	-	-	-	2,247	2,247
Total liabilities	1,579,802	-	571	172,284	1,752,657
Fund balance					
Reserved	228,229	-	-	7,225	235,454
Unreserved, reported in:					
General Fund	623,234	-	-	-	623,234
Special Revenue Fund	-	-	-	(8,076)	(8,076)
Capital Projects Fund	-	130,482	(571)	-	129,911
Permanent Funds	-	-	-	28,454	28,454
Total fund balance	851,463	130,482	(571)	27,603	1,008,977
Total liabilities and fund balance	\$ 2,431,265	\$ 130,482	\$ -	\$ 199,887	

Reconciliation of Net Assets to Fund Balances - total governmental funds:

Less: Long-term liabilities not due and payable in current period:	
Bonds, notes, capital leases payable and unamortized premiums on bond costs	(1,567,263)
Compensated absences and special termination benefits	(170,981)
Accrued interest payable	(27,615)
Plus:	
Net capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	5,716,886
Differences in recording prepaid insurance premiums under each basis of accounting	-
Other long-term assets not available to pay for current period expenditures, recorded as deferred revenue in the funds	1,122,120
Net assets reported on the government-wide financial statements (Exhibit 1)	\$ 6,082,124

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

Town of Chaplin, Connecticut
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	General Fund	Capital Improvement Program	Firehouse Project	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes, interest and lien fees	\$ 4,086,826	\$ -	\$ -	\$ -	\$ 4,086,826
Intergovernmental revenues	2,383,707	-	738,750	196,780	3,319,237
Local revenues	195,530	1,760	-	113,686	310,976
	<u>6,666,063</u>	<u>1,760</u>	<u>738,750</u>	<u>310,466</u>	<u>7,717,039</u>
Expenditures					
Current expenditures:					
General government	1,259,493	-	-	39,748	1,299,241
Education	4,800,283	-	-	263,642	5,063,925
Capital outlay	-	52,445	617,640	-	670,085
Debt service	386,618	-	-	-	386,618
	<u>6,446,394</u>	<u>52,445</u>	<u>617,640</u>	<u>303,390</u>	<u>7,419,869</u>
Excess (deficiency) of revenues over expenditures	<u>219,669</u>	<u>(50,685)</u>	<u>121,110</u>	<u>7,076</u>	<u>297,170</u>
Other financing sources (uses)					
Operating transfers in	-	47,000	-	-	47,000
Operating transfers out	(47,000)	-	-	-	(47,000)
	<u>(47,000)</u>	<u>47,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>172,669</u>	<u>(3,685)</u>	<u>121,110</u>	<u>7,076</u>	<u>297,170</u>
Fund balance, beginning of the year	<u>678,794</u>	<u>134,167</u>	<u>(121,681)</u>	<u>20,527</u>	<u>711,807</u>
Fund balance, end of the year	<u>\$ 851,463</u>	<u>\$ 130,482</u>	<u>\$ (571)</u>	<u>\$ 27,603</u>	<u>\$ 1,008,977</u>

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

Net change in fund balances - total governmental funds (above)	\$ 297,170
Transactions involving the treatment of capital outlays:	
Plus: Capital outlays treated as expenditures here, but capitalized on Exhibit 2	670,552
Less: Depreciation expense recorded in Exhibit 2, but not considered in the fund statements	(156,767)
Transactions involving the treatment of long-term debt:	
Plus: Principal repayments:	
General obligation bonds	275,456
Changes in other items not requiring the use of current financial resources:	
Compensated absences and special termination benefits	-
Accrued interest payable	3,702
Expenditure for insurance considered a prepaid expense in government wide statements in prior year	(35,274)
Revenue in the Statement of Activities (Exhibit 2) that is deferred in this statement	
State reimbursement of bond principal	(176,921)
Taxes, interest and lien fees	26,612
Reimbursements on firehouse construction	(121,681)
Other	-
Changes in net assets of governmental activities (Exhibit 2)	<u>\$ 782,849</u>

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

**Town of Chaplin, Connecticut
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006**

	Agency Funds
Assets	
Cash and cash equivalents	\$ 7,062
Liabilities	
Due to students	7,062
Net assets	\$ -

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

Town of Chaplin, Connecticut
Notes to the Financial Statements
June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

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

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criterion, provided by the Government Accounting Standards Board, has been considered and there are no agencies or entities which should be presented with this government.

B. Government-wide and fund financial statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the Town's policy is to use its restricted resources first. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

Town of Chaplin, Connecticut
Notes to the Financial Statements
June 30, 2006

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

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

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

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

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

The Town reports the following major governmental funds:

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

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

The *Firehouse Project* accounts for the construction of a new firehouse funded by a Small Town Economic Assistance Grant (STEAP) from the State of Connecticut.

Additionally, the Town reports the following fiduciary fund types:

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

Town of Chaplin, Connecticut
Notes to the Financial Statements
June 30, 2006

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

D. Assets, liabilities, and net assets

1) Deposits and investments

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

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

Interest Rate Risk - The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Generally, the Town does not invest in any long-term investment obligations.

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

2) Receivables

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

Under State Statute, the Town has the right to impose a lien on a taxpayer if any personal property tax, other than a motor vehicle tax, due to the Town is not paid within the time limited by any local charter or ordinance. The lien shall be effective for a period of fifteen years from the date of filing unless discharged. A notice of tax lien shall not be effective if filed more than two years from the date of assessment for the taxes claimed to be due.

All trade and property tax receivables are shown net of an allowance for uncollectibles. The allowance is calculated using a two tier formula based on prior experience and current knowledge.

Town of Chaplin, Connecticut
Notes to the Financial Statements
June 30, 2006

3) Activity between funds

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

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

4) Inventories and prepaid items

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

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

5) Capital assets

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

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

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

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

Town of Chaplin, Connecticut
Notes to the Financial Statements
June 30, 2006

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

6) *Compensated absences*

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

7) *Long-term obligations*

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

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

8) *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The prior period net assets have been increased by \$42,219 to increase capital assets when the Board of Education reduced their threshold for fixed assets.

Town of Chaplin, Connecticut
Notes to the Financial Statements
June 30, 2006

NOTE 2 - BUDGETING

A. Budget Basis

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

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

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

B. Budget Calendar

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

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

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

C. Budget Control

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

Town of Chaplin, Connecticut
Notes to the Financial Statements
June 30, 2006

The governing body may amend the annual budget subject to the requirements of the Connecticut General Statutes. The Board of Finance may make a one time additional appropriation up to \$20,000 to any appropriations. A Town meeting must be called to make appropriations over \$20,000 or additional changes to a previously adjusted appropriation. During the year no additional appropriations were made.

NOTE 3 – CASH AND CASH EQUIVALENTS

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

Deposits	\$	410,197
Pooled Investment Funds		885,849
Total Cash and Cash Equivalents		<u>\$ 1,296,046</u>
Governmental Funds	\$	1,288,984
Agency Funds		7,062
Total Cash and Cash Equivalents		<u>\$ 1,296,046</u>

The carrying amount of the Town's deposits with financial institutions was \$410,197 and the bank balance was 490,251. Of the bank balance, \$148,943 was covered by federal depository insurance or by collateral held by the Town's agent in the Town's name. Of the remaining balance \$34,131 was collateralized with securities held by the pledging institution's trust department or agent, but not in the Town's name. In total \$307,177 was uninsured and uncollateralized.

The pooled investment funds' risk category cannot be determined since the Town does not own identifiable securities but invests as a shareholder of the investment pool. The investment pool carries the assets of the Fund at amortized cost (which approximates fair value). The Fund was established under Connecticut General Statute's section 3-27. The pool holds derivatives in the form of adjustable-rate federal agency, and bank notes whose interest rates vary directly with short-term money market indices and are reset daily, weekly, monthly, quarterly or semi-annually. The adjustable-rate federal agency securities are rated AAA by a nationally recognized credit rating agency. The bank notes are rated either A-1+ or A-1. All of the adjustable rate securities have similar exposures to credit and legal risks as fixed-rate securities from the same issuers.

NOTE 4 - RECEIVABLES

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

Town of Chaplin, Connecticut
Notes to the Financial Statements
June 30, 2006

	General Fund	Other Governmental Funds
Taxes	\$ 103,725	\$ -
Interest and fees on back receivables	22,582	-
Intergovernmental:		
Principal reimbursement on bonds	1,020,964	-
Other intergovernmental	-	8,352
Other receivables	387	-
Gross receivables	1,147,658	8,352
Less: allowance for uncollectibles	(9,181)	-
	\$ 1,138,477	\$ 8,352

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

	Unavailable	Unearned
Delinquent net property taxes, interest and liens receivable	\$ 101,156	\$ -
Reimbursements on school bond payments	1,020,964	-
Cash received in advance of earnings	-	15,458
Total deferred/unearned revenue for governmental funds	\$ 1,122,120	\$ 15,458

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Beginning	Increases	Decreases	Ending
Capital assets not being depreciated:				
Land	\$ 342,762	\$ -	\$ -	\$ 342,762
Construction in progress	391,294	599,428	-	990,722
	734,056	599,428	-	1,333,484
Capital assets being depreciated:				
Buildings and improvements	5,918,375	-	-	5,918,375
Vehicles	392,000	-	-	392,000
Equipment	323,262	36,233	-	359,495
Infrastructure	110,436	34,891	-	145,327
	6,744,073	71,124	-	6,815,197
Less: Accumulated depreciation:	(2,275,028)	(156,767)	-	(2,431,795)
Total capital assets, net	\$ 5,203,101	\$ 513,785	\$ -	\$ 5,716,886

Town of Chaplin, Connecticut
Notes to the Financial Statements
June 30, 2006

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

General government	\$	38,862
Education		117,905
Total depreciation expense - governmental activities	\$	<u>156,767</u>

NOTE 6 - INTERFUND ACTIVITIES

A. Interfund transfers:

Interfund transfers are primarily used to move revenue earned in the General Fund to other funds. During this fiscal year, \$47,000 was transferred from the General Fund to the Capital Improvement Program.

B. Advance to/from other funds

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

C. Due to/from other funds

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

Receivable Fund	Payable Fund	Amount
General Fund	Firehouse Project	\$ 571
General Fund	Child Nutrition Fund	67,060
General Fund	Preschool Program	74,649
Capital Improvement Program	General Fund	62,549
Cemetery Fund	General Fund	33,366
Church and Copley Cemetery	General Fund	1,013
Library Restoration Fund	General Fund	3,188
Special Educational Grants	General Fund	14,673
		<u>\$ 257,069</u>

NOTE 7 – LONG-TERM DEBT

A. Changes in long-term liabilities

Long-term liability activity for the year June 30, 2006 was as follows:

Town of Chaplin, Connecticut
Notes to the Financial Statements
June 30, 2006

	Opening Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds:					
Elementary School	\$ 1,555,000	\$ -	\$ (265,000)	\$ 1,290,000	\$ 265,000
Town	287,719	-	(10,456)	277,263	14,273
Total Bonds Payable	1,842,719	-	(275,456)	1,567,263	279,273
Compensated Absences	170,981	-	-	170,981	17,098
	<u>\$ 2,013,700</u>	<u>\$ -</u>	<u>\$ (275,456)</u>	<u>\$ 1,738,244</u>	<u>\$ 296,371</u>

B. General obligation bonds

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

General obligation bonds currently outstanding are as follows:

Purpose	Original Amount	Matures in Year Ending	Interest Rates	Amount
Elementary School Renovations	\$ 5,000,000	2020	6.25%	\$ 1,290,000
Library	\$ 350,000	2011	4.88%	277,263
				<u>\$ 1,567,263</u>

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

Year Ending	Principal	Interest	Year Ending	Principal	Interest
2007	\$ 279,273	\$ 94,142	2014	19,917	7,873
2008	279,969	76,884	2015	20,888	6,902
2009	280,699	59,591	2016	21,907	5,883
2010	281,464	42,263	2017	22,975	4,815
2011	247,627	24,898	2018	24,095	3,695
2012	18,109	9,681	2019	25,269	2,521
2013	18,992	8,798	2020	26,079	1,351
			Total	<u>\$ 1,567,263</u>	<u>\$ 349,297</u>

D. Debt Limitations under Connecticut State Statutes

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

Town of Chaplin, Connecticut
Notes to the Financial Statements
June 30, 2006

Total tax collections (including interest and lien fees) for the year	\$ 4,086,550
Reimbursements for revenue loss on tax relief for the elderly (C.G.S. 12-129d)	14,096
Debt limitation base	<u>\$ 4,100,646</u>

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation:					
2 1/4 times base	\$ 9,226,454	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	18,452,907	-	-	-
3 3/4 times base	-	-	15,377,423	-	-
3 1/4 times base	-	-	-	13,327,100	-
3 times base	-	-	-	-	12,301,938
Total debt limitation	<u>9,226,454</u>	<u>18,452,907</u>	<u>15,377,423</u>	<u>13,327,100</u>	<u>12,301,938</u>

Indebtedness:					
Bonds and notes payable	277,263	1,290,000	-	-	-
Amount to be provided by CT	-	(1,020,964)	-	-	-
Total indebtedness	<u>277,263</u>	<u>269,036</u>	<u>-</u>	<u>-</u>	<u>-</u>

Debt limitation in excess of debt outstanding and authorized	<u>\$ 8,949,191</u>	<u>\$ 18,183,871</u>	<u>\$ 15,377,423</u>	<u>\$ 13,327,100</u>	<u>\$ 12,301,938</u>
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In no case shall total indebtedness exceed seven times annual receipts from taxation \$ 28,704,522

NOTE 8 – FUND BALANCES

A. Reserved Fund Balances

Fund Balances are reported in the Fund Financial Statements. Reserved Fund Balances represent those portions of the fund equity not available for appropriation for expenditures or legally segregated for a specific future use. At June 30, 2006 this consisted of:

	General Fund	Other Governmental Funds
To balance next year's budget	\$ 222,982	\$ -
Discovery Day	5,247	-
Principal balance of trust funds	-	5,925
Inventory	-	1,300
	<u>\$ 228,229</u>	<u>\$ 7,225</u>

B. Deficit Fund Balances

The Preschool Program Fund had a deficit fund balance of \$76,896 at year end. The Firehouse Project Fund showed a deficit fund balance of \$571.

Town of Chaplin, Connecticut
Notes to the Financial Statements
June 30, 2006

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

A. Teachers' Retirement System

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

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

The funding of the system is provided by required member contributions (7 percent of their annual salary) and by amounts appropriated by the State of Connecticut General Assembly. For the year ended June 30, 2006, the State contributed \$179,897 into the pension plan on behalf of the Town of Chaplin, Connecticut. This was recorded on the GAAP statements as revenue and expenditures in the General Fund. The Town's total payroll for all employees for the fiscal year ending June 30, 2006 was \$2,260,463 of which \$1,419,884 was covered under this pension plan.

B. Deferred Compensation Plan

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

NOTE 10 - RISK MANAGEMENT

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

Town of Chaplin, Connecticut
Notes to the Financial Statements
June 30, 2006

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

NOTE 11 - CONTINGENT LIABILITIES

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

NOTE 12 – JOINT VENTURE

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

The Central Office Committee is governed by representatives of the Boards of Education of Chaplin, Hampton, Scotland, and Regional School District #11 - Parish Hill High School. The Central Office Committee selects its staff, established a budget, provides facilities and equipment and develops procedures and negotiated objectives. The government has no direct control over the operation of the Central Office Committee. The government controls 22 percent of the vote of the four Boards. The government provides 20 percent of the Central Office Committee's funding. The Towns of Chaplin, Hampton and Regional School District #11 provide the remaining 80 percent.

The Central Office Committee reported assets of \$80,768, liabilities of \$129,804, and a fund balance deficit of \$49,036 as of June 30, 2006. The government has no responsibility for funding deficits and has no privileges to surpluses. The audited revenues and expenditures for the fiscal year ended June 30, 2006 created a decrease in fund balance, decreasing fund balance by \$51,804 from June 30, 2006. Separate financial statements may be obtained from the Superintendent of School's office.

**Town of Chaplin, Connecticut
Notes to the Financial Statements
June 30, 2006**

Although the Town has no responsibility for funding deficits and has no privileges to surpluses, two of the Towns are working to withdraw from the compact as of June 30, 2007 if not before. An agreement must be worked out with the other parties involved in the compact. This agreement may call for funding of a certain portion of the Central Office Committee's deficit.



Town of Chaplin, Connecticut
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
General Fund
For the Year Ended June 30, 2006

	Original Budget	Additional Appropriation	Final Budget	Actual Budgetary Basis	Variance
REVENUES					
Property Taxes:					
Property Taxes	\$ 3,977,982	\$ -	\$ 3,977,982	\$ 3,983,542	\$ 5,560
Interest, Liens and Fees	24,049	-	24,049	34,612	10,563
Prior Year Taxes	31,806	-	31,806	60,983	29,177
Payment in Lieu of Taxes	7,000	-	7,000	7,689	689
	<u>4,040,837</u>	<u>-</u>	<u>4,040,837</u>	<u>4,086,826</u>	<u>45,989</u>
Reimbursements in Lieu of Taxes:					
Boat Tax Reimbursement	580	-	580	581	1
Disability Exemption	240	-	240	363	123
Elderly Tax Reimbursement	14,980	-	14,980	14,096	(884)
Machinery Equipment Reimbursement	2,540	-	2,540	1,053	(1,487)
Casino Grant	130,912	-	130,912	128,390	(2,522)
State Property	72,687	-	72,687	78,052	5,365
Veterans Exemption	1,055	-	1,055	1,236	181
	<u>222,994</u>	<u>-</u>	<u>222,994</u>	<u>223,771</u>	<u>777</u>
State and Federal Funding for Operations:					
Circuit Court	300	-	300	1,394	1,094
Historic Document Preservation	7,000	-	7,000	7,000	-
Library Grant	-	-	-	1,983	1,983
Miscellaneous Grants	6,000	-	6,000	152	(5,848)
Town Aid Road	59,530	-	59,530	83,487	23,957
Utility Lease	20,400	-	20,400	12,695	(7,705)
Local Capital Improvement	30,392	-	30,392	-	(30,392)
FEMA	-	-	-	4,846	4,846
	<u>123,622</u>	<u>-</u>	<u>123,622</u>	<u>111,557</u>	<u>(12,065)</u>
State Educational Funding:					
Adult Education/Student Improvement	2,389	-	2,389	850	(1,539)
Education Cost Sharing	1,672,014	-	1,672,014	1,690,247	18,233
Elementary School Construction Grant	288,948	-	288,948	288,948	-
Transportation	68,298	-	68,298	60,601	(7,697)
	<u>2,031,649</u>	<u>-</u>	<u>2,031,649</u>	<u>2,040,646</u>	<u>8,997</u>
Receipts for Town Services:					
Building Permits	10,000	-	10,000	8,331	(1,669)
Conveyance Tax and Recording	20,000	-	20,000	29,322	9,322
DEP Town Clerk Fees	4,000	-	4,000	221	(3,779)
Dog Fund	1,200	-	1,200	828	(372)
Health and Sanitation Fee	400	-	400	12,617	12,217
Historic Commission	-	-	-	50	50
Inland Wetland	1,395	-	1,395	1,490	95
Pistol Permits	50	-	50	105	55
Planning and Zoning	1,200	-	1,200	7,222	6,022
Recording Fees	22,000	-	22,000	22,016	16
Zoning Board of Appeals	-	-	-	530	530
	<u>60,245</u>	<u>-</u>	<u>60,245</u>	<u>82,732</u>	<u>22,487</u>
Other Funds:					
Cell Tower Lease	25,958	-	25,958	26,045	87
Elementary School Refunds/ Reimb	-	-	-	13,531	13,531
Investment Interest	18,600	-	18,600	40,312	21,712
Miscellaneous Receipts	1,200	-	1,200	16,421	15,221
Recycling	7,800	-	7,800	8,748	948
Rentals	-	-	-	50	50

See Accountants' Report

Town of Chaplin, Connecticut
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
General Fund
For the Year Ended June 30, 2006

	Original Budget	Additional Appropriation	Final Budget	Actual Budgetary Basis	Variance
Vital Statistics and Copies	300	-	300	2,654	2,354
Vital Statistics/Surcharges	2,400	-	2,400	276	(2,124)
Miscellaneous:					
Bond Interest Elementary School	-	-	-	641	641
Discovery Day	-	-	-	3,816	3,816
Student Improvement	-	-	-	6,781	6,781
Collection Fees	-	-	-	404	404
Quinebaug-Shetucket Grant	-	-	-	625	625
DMV Fees	-	-	-	27	27
Firehouse Construction Project	-	-	-	200	200
	<u>56,258</u>	<u>-</u>	<u>56,258</u>	<u>120,531</u>	<u>64,273</u>
TOTAL REVENUES	6,535,605	-	6,535,605	6,666,063	130,458
EXPENDITURES					
Board of Selectmen	64,982	-	64,982	64,801	181
Board of Finance	5,260	-	5,260	6,640	(1,380) *
Town Treasurer	10,042	-	10,042	9,957	85
Assessor	29,627	-	29,627	28,692	935
Tax Collector	40,347	-	40,347	39,869	478
Board of Assessment Appeals	95	-	95	122	(27) *
Town Clerk	48,457	-	48,457	41,945	6,512
Town Counsel	5,000	-	5,000	5,269	(269) *
Legal Fees	5,000	-	5,000	9,051	(4,051) *
Auditor	20,125	-	20,125	25,834	(5,709) *
Registrars and Elections	10,691	-	10,691	8,619	2,072
Planning and Zoning Commission	15,553	-	15,553	17,610	(2,057) *
Zoning Board of Appeals	1,000	-	1,000	1,280	(280) *
Inland Wetland Commission	11,275	-	11,275	11,400	(125) *
911 Dispatch Fees	4,558	-	4,558	4,557	1
Burning Official	1,300	-	1,300	1,155	145
Fire Protection	39,444	-	39,444	39,444	-
Conservation Commission	2,200	-	2,200	130	2,070
Police Protection	84,450	-	84,450	87,746	(3,296) *
Animal Control Officer	10,404	-	10,404	7,724	2,680
Emergency Preparedness	1,000	-	1,000	990	10
Building Inspector	16,195	-	16,195	15,739	456
Ambulance Assessment	10,000	-	10,000	10,000	-
Fire Marshal	9,594	-	9,594	8,914	680
Tree Warden	758	-	758	758	-
Public Works	204,624	-	204,624	195,642	8,982
Building, Grounds Maintenance	59,965	-	59,965	66,259	(6,294) *
Sanitation	183,900	-	183,900	195,095	(11,195) *
Recreation	8,440	-	8,440	8,481	(41) *
Chaplin Library	51,972	-	51,972	53,401	(1,429) *
Senior Center	51,894	-	51,894	50,774	1,120
Health Officer	2,369	-	2,369	-	2,369
Food Inspector	602	-	602	-	602
Sanitarian	5,715	-	5,715	1,276	4,439
Health and Sanitation Fees	2,000	-	2,000	13,243	(11,243) *
Unemployment Compensation	5,000	-	5,000	751	4,249
Drug and Alcohol Testing	600	-	600	457	143
Employee Benefits	73,000	-	73,000	76,706	(3,706) *

See Accountants' Report

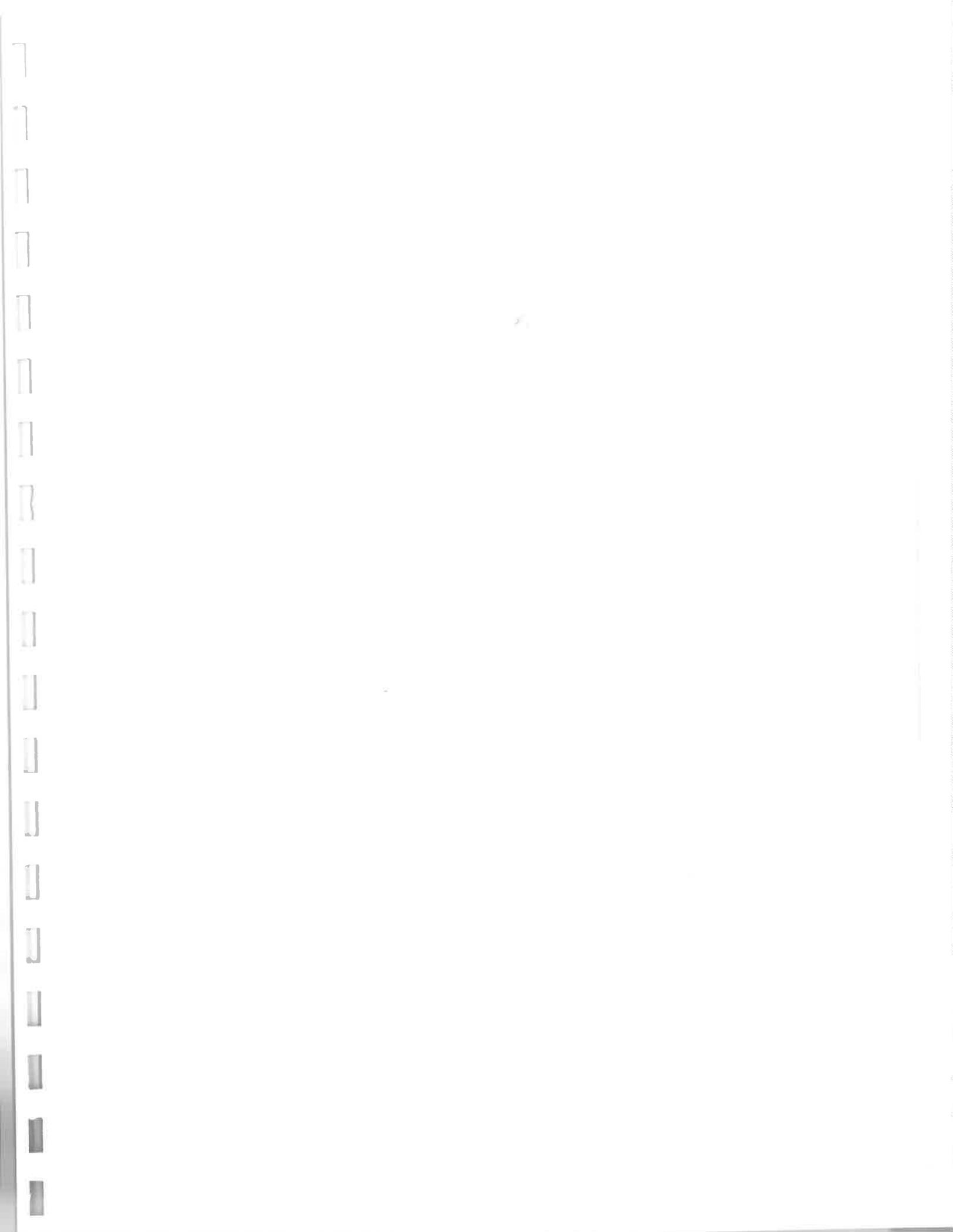
Town of Chaplin, Connecticut
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
General Fund
For the Year Ended June 30, 2006

	Original Budget	Additional Appropriation	Final Budget	Actual Budgetary Basis	Variance
Annuity Match	18,500	-	18,500	16,508	1,992
Social Security	33,500	-	33,500	29,903	3,597
Insurance	55,500	-	55,500	48,740	6,760
Vital Statistics	9,504	-	9,504	7,434	2,070
Probate Court	1,585	-	1,585	1,586	(1) *
Town Memberships	855	-	855	356	499
Historic District Commission	500	-	500	183	317
Payroll Expense	-	-	-	2,955	(2,955) *
Postage	800	-	800	800	-
Accountant	28,610	-	28,610	27,741	869
Paramedics	5,000	-	5,000	2,372	2,628
Chaplin Elementary School Roof	-	-	-	1,920	(1,920) *
Discovery Day	-	-	-	1,554	(1,554) *
	<u>1,251,792</u>	<u>-</u>	<u>1,251,792</u>	<u>1,252,383</u>	<u>(591)</u>
Capital Improvement:					
CIP: Capital Improvement Plan	47,000	-	47,000	47,000	-
	<u>47,000</u>	<u>-</u>	<u>47,000</u>	<u>47,000</u>	<u>-</u>
Debt Service:					
Debt Service: Elementary School	362,188	-	362,188	362,188	-
Debt Service: USDA Library	27,790	-	27,790	24,430	3,360
	<u>389,978</u>	<u>-</u>	<u>389,978</u>	<u>386,618</u>	<u>3,360</u>
Total Town Government	<u>1,688,770</u>	<u>-</u>	<u>1,688,770</u>	<u>1,686,001</u>	<u>2,769</u>
Education Expenditures:					
Elementary School	2,702,627	-	2,702,627	2,691,224	11,403
Regional School	2,130,160	-	2,130,160	2,109,059	21,101
Total Education	<u>4,832,787</u>	<u>-</u>	<u>4,832,787</u>	<u>4,800,283</u>	<u>32,504</u>
TOTAL EXPENDITURES	<u>6,521,557</u>	<u>-</u>	<u>6,521,557</u>	<u>6,486,284</u>	<u>35,273</u>
Excess (Deficiency) of Revenues Over Expenditures, Budgetary Basis	<u>\$ 14,048</u>	<u>\$ -</u>	<u>\$ 14,048</u>	<u>\$ 179,779</u>	<u>\$ 165,731</u>
Adjustments to Generally Accepted Accounting Principles (GAAP):					
On Behalf Revenues from Teacher's Retirement Netted in Budget				(179,897)	
On Behalf Expenditures from Teacher's Retirement Netted in Budget				179,897	
Revenues from Excess Cost Grant Netted in Budget				39,295	
Expenditures from Excess Cost Grant Netted in Budget				(39,295)	
Change in Accrued Payroll				(7,110)	
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing (Uses) - GAAP Basis				<u>\$ 172,669</u>	

Town of Chaplin, Connecticut
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
General Fund
For the Year Ended June 30, 2006

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

* These accounts were over budget by the amount indicated.



**Town of Chaplin, Connecticut
Fund Descriptions**

Special Revenue Funds:

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

Capital Project Funds:

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

Permanent Funds:

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

**Town of Chaplin, Connecticut
Combining Balance Sheet
Other Governmental Funds
June 30, 2006**

	Special Revenue Funds											Total Other Governmental Funds
	General Government			Education			Permanent Funds					
	Library Restoration Fund	Chaplin Library Fund	Senior Center Fund	Recreation Commission	Special Education Grants	Child Nutrition	Pre-School Program	Cemetery Fund	Copley Cemetery			
Assets												
Cash and cash equivalents	\$ -	\$ 8,712	\$ 14,373	\$ 17,180	\$ -	\$ 85,305	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 125,570
Receivables	-	-	-	-	-	8,352	-	-	-	-	-	8,352
Inventory	-	-	-	-	-	1,300	-	-	-	-	-	1,300
Due from other governmental funds	3,188	-	-	-	14,673	-	-	33,366	1,013	-	-	52,240
Due from related parties	-	-	-	-	12,425	-	-	-	-	-	-	12,425
Total Assets	\$ 3,188	\$ 8,712	\$ 14,373	\$ 17,180	\$ 27,098	\$ 94,957	\$ -	\$ 33,366	\$ 1,013	\$ -	\$ -	\$ 199,887
Liabilities and Fund Balance												
Liabilities												
Accounts payable	\$ -	\$ -	\$ 955	\$ -	\$ 11,640	\$ 275	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,870
Deferred revenue	-	-	-	-	15,458	-	-	-	-	-	-	15,458
Due to other governmental funds	-	-	-	-	-	67,060	74,649	-	-	-	-	141,709
Due to related party	-	-	-	-	-	-	2,247	-	-	-	-	2,247
Total Liabilities	-	-	955	-	27,098	67,335	76,896	-	-	-	-	172,284
Fund Balance												
Reserved	-	-	-	-	-	1,300	-	5,000	925	-	-	7,225
Unreserved, undesignated	3,188	8,712	13,418	17,180	-	26,322	(76,896)	28,366	88	-	-	20,378
Total Fund Balance	3,188	8,712	13,418	17,180	-	27,622	(76,896)	33,366	1,013	-	-	27,603
Total Liabilities and Fund Balance	\$ 3,188	\$ 8,712	\$ 14,373	\$ 17,180	\$ 27,098	\$ 94,957	\$ -	\$ 33,366	\$ 1,013	\$ -	\$ -	\$ 199,887

Town of Chaplin, Connecticut
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
For the Year Ended June 30, 2006

	Special Revenue Funds										Total Other Governmental Funds
	General Government			Education			Permanent Funds				
	Library Restoration Fund	Chaplin Library Fund	Senior Center Fund	Recreation Commission	Special Education Grants	Child Nutrition	Pre-School Program	Cemetery Fund	Church and Copley Cemetery		
Revenues											
Intergovernmental Revenues	\$ -	\$ 2,950	\$ -	\$ -	\$ 163,263	\$ 30,567	\$ -	\$ -	\$ -	\$ -	\$ 196,780
Local Revenues	600	1,587	21,499	5,235	-	46,937	36,628	1,200	-	-	113,686
Total Revenues	600	4,537	21,499	5,235	163,263	77,504	36,628	1,200	-	-	310,466
Expenditures											
Current Expenditures:											
General Government	302	7,303	17,074	4,237	-	-	-	10,832	-	-	39,748
Education	-	-	-	-	156,480	71,685	35,477	-	-	-	263,642
Total Expenditures	302	7,303	17,074	4,237	156,480	71,685	35,477	10,832	-	-	303,390
Excess (Deficiency) of Revenues Over Expenditures	298	(2,766)	4,425	998	6,783	5,819	1,151	(9,632)	-	-	7,076
Fund Balance, Beginning of the Year	2,890	11,478	8,993	16,182	(6,783)	21,803	(78,047)	42,998	1,013		20,527
Fund Balance, End of the Year	\$ 3,188	\$ 8,712	\$ 13,418	\$ 17,180	\$ -	\$ 27,622	\$ (76,896)	\$ 33,366	\$ 1,013	\$ -	\$ 27,603

Town of Chaplin, Connecticut
Statement of Changes in Assets and Liabilities
Agency Funds
Student Activity Funds
For the Year Ended June 30, 2006

	Balance Beginning		Additions		Deductions		Balance Ending
Assets							
Cash	\$ 6,732	\$	58,554	\$	(58,224)	\$	7,062
Liabilities							
Due to students	\$ 6,732	\$	58,554	\$	(58,224)	\$	7,062



**Town of Chaplin, Connecticut
Report of the Property Tax Collector
For the Year Ended June 30, 2006**

Grand List	Beginning Receivable Balance	Current Year Levy	Lawful Corrections		Net Taxes Collectible	Taxes	Collections During The Year			Ending Receivable Balance	
			Additions	Deductions			Interest	Liens	Fees		Total
2004	\$ -	\$ 4,062,478	\$ 16,048	\$ 15,526	\$ 4,063,000	\$ 3,986,282	\$ 21,017	\$ 144	\$ -	\$ 4,007,443	\$ 76,718
2003	61,616	-	1,509	2,068	61,057	45,842	8,315	2,016	728	56,901	15,215
2002	15,758	-	447	-	16,205	8,375	1,832	587	101	10,895	7,830
2001	3,836	-	130	-	3,966	1,533	1,369	139	411	3,452	2,433
2000	1,603	-	-	-	1,603	890	282	24	94	1,290	713
1999	671	-	-	-	671	-	-	24	1,161	1,185	671
1998	91	-	-	-	91	-	-	-	1,379	1,379	91
1997	65	-	-	-	65	-	-	-	1,687	1,687	65
1996	(211)	-	-	-	(211)	-	-	-	428	428	(211)
1995	66	-	-	-	66	-	-	-	394	394	66
1994	141	-	-	-	141	-	60	-	765	825	141
1993	65	-	-	-	65	69	4	24	376	473	(4)
1992	(2)	-	-	-	(2)	-	-	-	160	160	(2)
1991	4	-	-	-	4	(4)	-	20	22	38	8
	\$ 83,703	\$ 4,062,478	\$ 18,134	\$ 17,594	\$ 4,146,721	\$ 4,042,987	\$ 32,879	\$ 2,978	\$ 7,706	\$ 4,086,550	\$ 103,734

Town of Chaplin, Connecticut
Statement of Changes in Fund Balance
Capital Improvement Program
For the Year Ended June 30, 2006

	Beginning Fund Balance	Approved Budget Original	Additional	Revenues	Total Available	Current Year Expenditures	Ending Fund Balance
DESIGNATED FUND BALANCE:							
General Government:							
Comprehensive Plan of Development	\$ 10,399	\$ -	\$ -	\$ -	\$ 10,399	\$ -	\$ 10,399
Assessor - Phase II	9,129	-	-	-	9,129	-	9,129
Town Hall Roof	8,176	-	-	-	8,176	-	8,176
Grange Renovations	574	-	-	-	574	-	574
Town Clerk Copier	5	-	-	-	5	-	5
Town Hall Planned Development	-	6,000	-	-	6,000	(4,420)	1,580
Volunteer Fire Department:							
Fire Escape/Fire House	4,270	-	-	-	4,270	-	4,270
Chaplin Elementary School:							
Old Gym at Senior Center	25,000	-	-	-	25,000	(4,880)	20,120
Cafeteria Tables	1,825	-	-	-	1,825	-	1,825
Office Communications Center	1,548	-	-	-	1,548	-	1,548
Storage Building - Rec Dept	545	-	-	-	545	-	545
Public Works/Highway:							
Marcy/Morey Rd Bridges	6,739	-	-	-	6,739	-	6,739
Bear Hill	-	35,000	-	-	35,000	(43,145)	(8,145)
Wood Chipper	-	6,000	-	-	6,000	-	6,000
Total Designated Fund Balance	68,210	47,000	-	-	115,210	(52,445)	62,765
UNDESIGNATED FUND BALANCE							
Undesignated Fund Balance	65,957	-	-	1,760	67,717	-	67,717
TOTAL FUND BALANCE	\$ 134,167	\$ 47,000	\$ -	\$ 1,760	\$ 182,927	\$ (52,445)	\$ 130,482