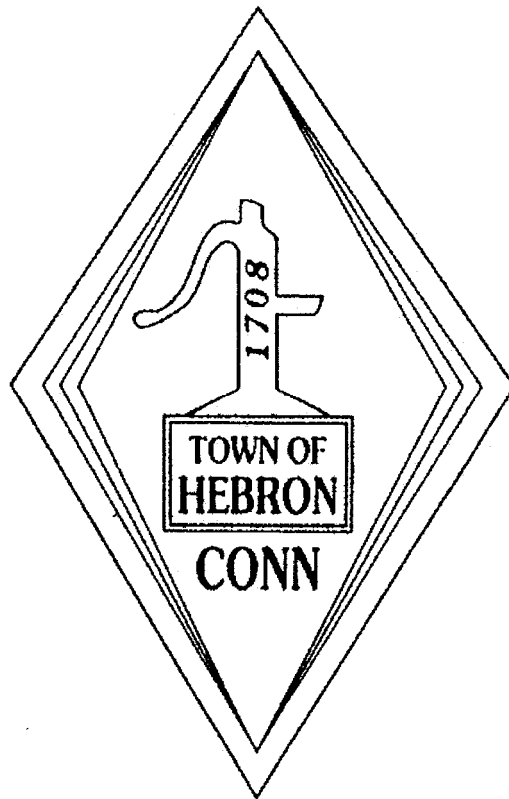


TOWN OF HEBRON, CONNECTICUT

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FISCAL YEAR ENDED JUNE 30, 2008

TOWN OF HEBRON, CONNECTICUT

Comprehensive Annual Financial Report

For

The Fiscal Year Ended
June 30, 2008

Prepared By:

THE FINANCE DEPARTMENT
MICHAEL S. HILLSBERG, FINANCE DIRECTOR

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
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TOWN OF HEBRON, CONNECTICUT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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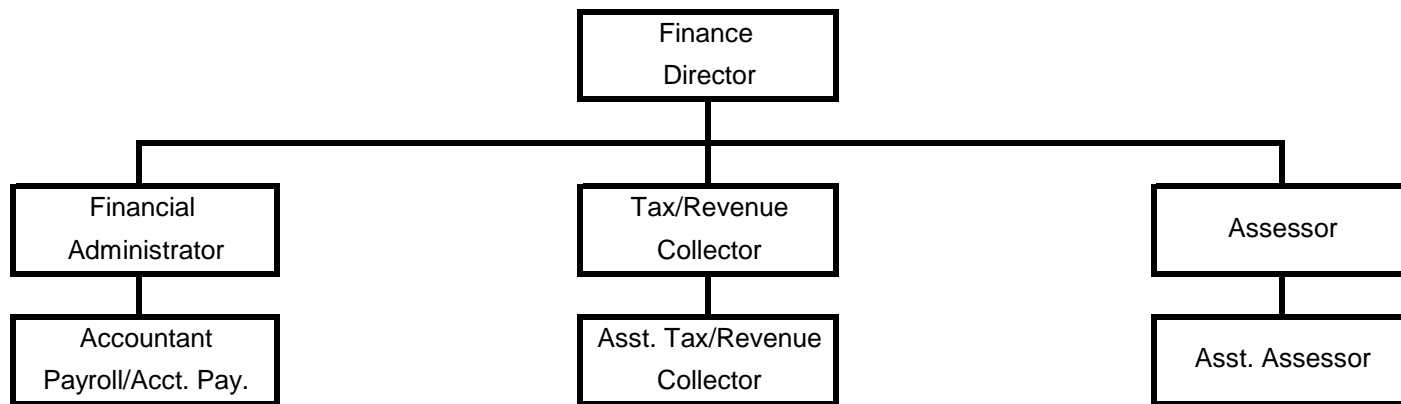
TOWN OF HEBRON, CONNECTICUT

PRINCIPAL TOWN OFFICIALS

As of June 30, 2008

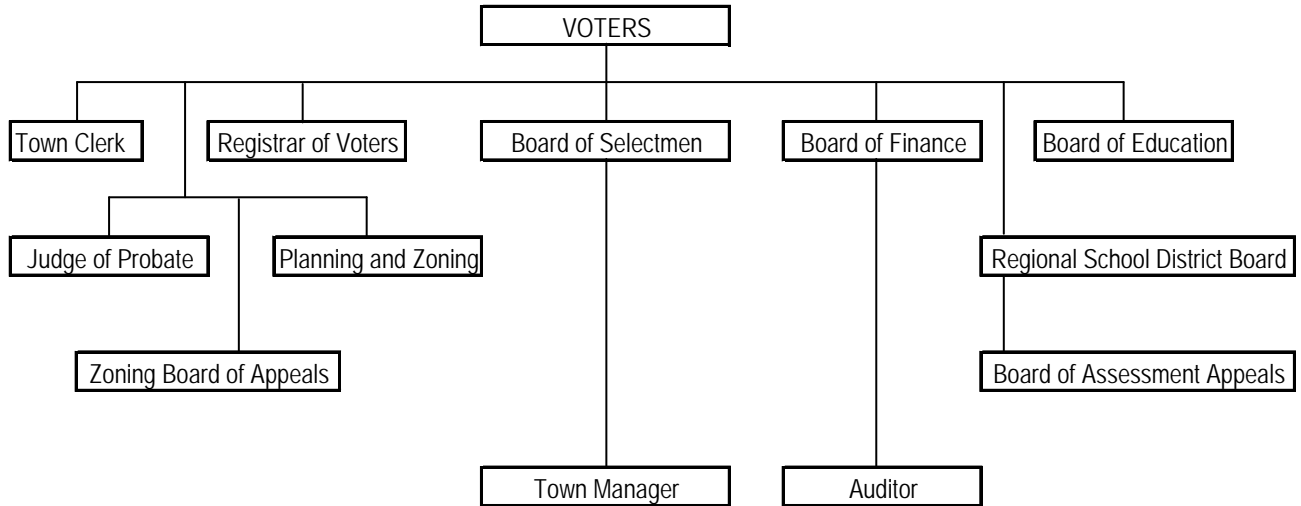
<i>Chairman of the Board of Selectmen</i>	Jeffrey Watt
<i>Town Manager</i>	Jared S.A. Clark
<i>Assessor</i>	Robert Musson
<i>Building Inspector</i>	Joseph Summers
<i>Resident Trooper</i>	Kelly Kraynak
<i>Town Clerk</i>	Carla Pomprowicz
<i>Town Planner</i>	Michael O'Leary
<i>Finance Director</i>	Michael S. Hillsberg
<i>Legal Counsel</i>	Don Holtman, Esq.
<i>Emergency Management</i>	Randy Blais
<i>Engineer</i>	Nathan Jacobson & Assoc.
<i>Fire Chief</i>	Paul Burton
<i>Fire Marshal</i>	Randy Blais
<i>Health Director</i>	Thad King
<i>Public Works Director</i>	Andy Tierney
<i>Recreation Director</i>	Richard Calarco
<i>Senior Affairs Director</i>	Sharon Garrard
<i>Superintendent of Schools</i>	Eleanor Cruz
<i>Tax Collector</i>	Adrian MacLean
<i>Treasurer</i>	Michael S. Hillsberg
<i>AHM Youth and Family Services</i>	Joel Rosenberg
<i>Zoning Enforcement Officer</i>	Joseph Summers

Town of Hebron
Finance Department



Town of Hebron, Connecticut

For the Period Ending June 30, 2008



Town Agencies
Finance
Revenue Collector
Assessor
Fire Administration
Ambulance
Police
Emergency Management
Fire Marshal
Building
Planning
Wetlands
Town Clerk
Canine Control
Library
Senior Services
Recreation
Public Works
Town Attorney

Boards/Commissions
Housing Authority
Parks and Recreation
Conservation Commission
Water Pollution Control Authority
Inlands Wetlands
Commission on Aging
Open Space/Land Acquisition
CIP Committee
Economic Development Comm.
Historic Properties Comm.
Chatham Health District
Park Development Comm.

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JARED S.A. CLARK
TOWN MANAGER

Town of Hebron

TOWN OFFICE BUILDING
15 GILEAD STREET
HEBRON, CONNECTICUT 06248
TELEPHONE: (860) • 228-5971
FAX: (860) • 228-4859
www.hebronct.com

DAVID W. SCHOOLCRAFT
CHAIRMAN

GAYLE J. MULLIGAN
VICE CHAIRMAN

MARK F. STUART
SELECTMAN

BRIAN D. O'CONNELL
SELECTMAN

JEFFREY P. WATT
SELECTMAN

December 8, 2008

To the Board of Finance, Town Manager and Honorable
Members of the Hebron Board of Selectmen
Town of Hebron, Connecticut

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of audited financial. This report is published to fulfill that requirement for the fiscal year ended June 30, 2008.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

McGladrey & Pullen, LLP, Certified Public Accountants, have issued an unqualified ("clean") opinion on the Town of Hebron, Connecticut's financial statements for the year ended June 30, 2008. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A is intended to complement this letter of transmittal and should be read in conjunction with it.

Profile of Government

Hebron covers an area of 36.9 miles and is 20 miles southeast of Hartford. Its location is within the suburban fringe of the Hartford metropolitan area. Hebron is bounded on the east by Columbia, the southeast by Lebanon, the south by Colchester, the west by Marlborough and Glastonbury, the north by Bolton, and the northeast by Andover. The Town is traversed by Connecticut Routes 66 and 85. Included in Hebron town limits are Amston (formerly Turnerville), once a thriving mill area, and Gilead, which grew up around the Congregational Church founded there in 1748.

Hebron is considered to be a semi-rural community. The Town's business community is located primarily along Route 66 near the intersection with Route 85. There is also a neighborhood business center located in the southern part of Town near Amston Lake.

The Town of Hebron adopted a charter in 1988, effective as of November 21, 1989. The Charter was amended on November 5, 1996 and again on November 4, 2003. The Charter retains a Town meeting form of government, with an elected five-member Board of Selectmen serving overlapping four-year terms and a six-member Board of Finance serving overlapping four-year terms. A Town Manager, appointed by the Board of Selectmen, acts as the chief executive and chief administrative officer of the Town, and is responsible to the Board of Selectmen for the administration of all departments and agencies with elected heads or members. The Town Manager has the authority to appoint various officers, including a Finance Director who, among other duties, acts as the Town Treasurer and the agent of all Town funds.

The Board of Education is the policy-making body for grades kindergarten through six. Grades seven through twelve are governed by Regional School District Number 8, composed of the Towns of Hebron, Andover and Marlborough. A member town may withdraw from the District, but such withdrawal does not affect the obligation of the member town to District bondholders.

The Town provides a full range of services including public safety, street maintenance, sanitation, health and human services, public parks and recreation, library, education, culture, public improvement, planning, zoning, sewer and general administrative services.

Regional School District Number 8

Regional School District No. 8 was organized in 1957 under provisions of the Connecticut General Statutes, Section 10-45, after approval by the member towns of Hebron, Andover and Marlborough. Regional Hebron Andover Marlborough (RHAM) Middle School in Hebron accommodates grades 7 and 8, and Regional Hebron Andover Marlborough (RHAM) High School in Hebron serves grades 9-12. Each member town maintains and funds its own school district, which provides elementary education grades K-6.

Local Economy

The Town aggressively pursues economic and physical stabilization and revitalization. After many years of steady population growth, Hebron has recently seen a 21% increase in population from 1990 to 2000 (Source: Federal Census). Consequently the Town is involved with several projects which will improve both the tax base and quality of life in Hebron.

Major Initiatives:

Acquisition of Two Pieces of Public Works Equipment – The Hebron Public Works Department, in keeping with the capital replacement program established, acquired these two trucks as part of the capital improvement replacement program. The trucks ordered are designed to have the Town be on a replacement program. This year we purchased a large Tri-axle dump truck and a mason dump/plow truck

Acquisition of Two Pieces of Parks and Recreation Equipment – The Hebron Parks and Recreation Department, in keeping with the capital replacement program established, acquired this truck as part of the capital improvement replacement program. The truck was ordered as part of the Town capital replacement program. This year we purchased a 4-wheel drive pick-up truck.

Development of the East Street Parcels. This project consists of two parcels slated for use as a recreational facility. The Town has approved a Bond Authorization for \$4,494,000 for recreational development which will maximize the number of recreational fields in the community and enhance the amount of open space for the community. The Town bonded \$4.3 million on July 9, 2008 for this project. The Town started construction on the fields in June 2008, and the buildings in October 2008. It is anticipated that some use will begin in 2009 upon completion of the facilities.

Relevant Financial Policies:

Budgetary Control

The Town maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Selectmen and Board of Finance. Activities of the general fund are included in the annual appropriated budget. Project-length budgets are prepared for the capital projects funds. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is the departmental level within each fund. The Town also maintains an encumbrance accounting system as one method of maintaining budgetary control. Unencumbered amounts lapse at year end. Encumbered amounts at year end are reported as reservations of fund balance.

As demonstrated by the statements and schedules included in the financial section of this report, the Town continues to meet its responsibility for sound financial management.

Cash Management

It is the policy of the Town to invest funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Town and conforming to all statutes governing the investment of funds. Idle cash during the year was invested in temporary, legally permitted investments on a short-term basis.

Pension Plan

The Town administers a single employer public employee retirement system (PERS). In addition, Board of Education teachers are fully covered by the noncontributory State Teachers' Retirement System. The Town of Hebron PERS completed the year with net assets available at fair value of \$1,695,910.

Substantially all Town employees and Board of Education non-certified employees are eligible to participate in a defined contribution money accumulation pension plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. To be eligible to participate in the plan, the employee must be at least twenty-one years of age and complete one year of service. The Plan does not allow for employee contributions. The Town contributes five percent of compensation for Board of Education non-certified employees and seven percent for all Town employees. Plan assets are invested and administered by ING Life Insurance and Annuity Company. At June 30, 2008, there were approximately 80 participants in the plan. The Town contributes seven percent of compensation for two Town employees to ICMA and fifteen percent for the Town Manager to ICMA. Plan assets are invested and administered by ICMA. At June 30, 2008, there were three participants in the plan. Employer contributions become fully vested upon completion of six years of service.

Risk Management

The Town has a comprehensive program for managing all areas of risk, which includes health and life insurance for active and retired employees, workers' compensation, heart and hypertension, property and casualty, general liability, professional liability, and others including theft, performance and surety.

Awards and Acknowledgments:

The Government Finance Officers Association of United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Hebron, Connecticut for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2007. This was the fourth year that Hebron has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire Finance Department staff and members of other departments who assisted in its compilation. I would like to express my appreciation to all members of the Town who assisted in its preparation. The combined support of you, the Town Manager, Board of Selectmen and the Board of Finance, who remain committed to fiscal integrity and financial leadership, is also appreciated.

Respectfully submitted,



Michael S. Hillsberg
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Hebron
Connecticut

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Charles S. Cox

President

Jeffrey R. Emer

Executive Director

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Finance
Town of Hebron, 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 Hebron, Connecticut (the "Town") as of and for the year ended June 30, 2008, which collectively comprise the Town's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to 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 Hebron, Connecticut as of June 30, 2008, and the respective changes in financial position thereof and the budgetary information for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards," we have also issued our report dated December 8, 2008 on our consideration of the Town of Hebron, 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 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 considered in assessing the results of our audit.

The management discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements, but is supplementary information required by the 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, the budgetary detail, combining and individual nonmajor fund statements, capital assets schedule, other schedule, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary detail, combining and individual nonmajor fund statements, capital asset schedule and other schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

New Haven, Connecticut
December 8, 2008

Town of Hebron, Connecticut **Management's Discussion and Analysis** **June 30, 2008**

As management of the Town of Hebron, Connecticut (the "Town") we offer readers of the financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here along with additional information we have furnished in our letter of transmittal, as well as the Town's basic financial statements that follow this section.

Financial Highlights

1. On a government-wide basis, the assets of the Town exceeded its liabilities resulting in total net assets at the close of the fiscal year of \$53,666,834.
2. On a government-wide basis, during the year, the Town's net assets increased by \$1,654,709. Governmental activities expenses were \$35,419,756, while revenues were \$37,074,465.
3. At the close of the year, the Town's governmental funds reported, on a current financial resource basis, combined ending fund balances of \$6,438,789, a decrease of \$146,437 from the prior fiscal year. Of the total fund balance as of June 30, 2008, \$6,127,776 represents the combined unreserved fund balance in the general fund, special revenue funds, capital projects funds and permanent fund.
4. At the end of the current fiscal year, the total fund balance for the general fund alone was \$3,854,201, an increase of \$1,098,185 from the prior fiscal year. Unreserved General Fund fund balance at year-end represents 9% of total general fund expenditures and transfers out.
5. The Town's debt decreased by approximately \$1.2 million during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information as well as the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. All of the resources the Town has at its disposal are shown, including major assets such as buildings and infrastructure. A thorough accounting of the cost of government is rendered because the statements present all costs, not just how much was collected and disbursed. They provide both long-term and short-term information about the Town's overall financial status.

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as an indicator of whether the financial position of the Town is improving or deteriorating. It speaks to the question of whether or not, the Town, as a whole is better or worse off as a result of this year's activities. Other non-financial factors will need to be considered, however, such as changes in the Town's property tax base and the condition of the Town's infrastructure, to assess the overall health of the Town.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in some future fiscal period, uncollected taxes and earned but unused vacation leave are examples.

The governmental activities of the Town of Hebron include education, general government services, public safety, public works, planning & development, human services and community services. Property taxes, charges for services and state and federal grants finance most of these activities. The Town currently has no business type activities.

The government-wide financial statements (statement of net assets and statement of activities) can be found on pages 11-12 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control and accountability over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town has three kinds of funds:

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains 17 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Management Fund, Sewer Assessment Fund and Capital Projects Fund, which are considered major funds. Data from the other governmental funds are combined into a single, aggregated presentation as Other Governmental Funds. Non-major governmental funds for the Town include the Hebron Park Fund, the Miscellaneous Grants Fund, the WPCA Sewer

Operation Fund, the Small Cities Grant Fund, the Marion Celio Angel Fund, the Land Acquisition Fund, Douglas Library Fund, the Recreation Fund, the Historic Records Preservation Fund, the EMS Fund, the Tri-Centennial Commission Fund and the Cafeteria Fund. These are all considered special revenue funds. Permanent Funds consist of the Cemetery Trust Fund. Individual fund data for each of these non-major governmental funds is provided in the combining balance sheets on pages 50-51 and in the combining statement of revenues, expenditures and changes in fund balances (deficits) on pages 52-53.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the authorized budget. The statement of revenues, expenditures, encumbrances and transfers out on a budgetary basis can be found on page 16.

The basic governmental fund financial statements (balance sheet and statement of revenues, expenditures and changes in fund balances) can be found on pages 13-14 of this report.

Proprietary funds. The Town maintains no proprietary funds.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to provide services to the Town's constituency. The Town has a pension trust fund and agency funds. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 17-18 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-42 of this report.

The notes to this report also contain certain information concerning the Town's progress in funding its obligation to provide pension benefits to its employees.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position and an important determinant of its ability to finance services in the future. On a government-wide basis, the Town's assets exceeded its liabilities by \$53,666,834 at June 30, 2008.

TOWN OF HEBRON, CONNECTICUT

Net Assets (\$000's)

As of June 30, 2008 and 2007

	June 30, 2008	June 30, 2007
	Primary	Primary
	Government	Government
	Governmental	Governmental
	Activities	Activities
Current and other assets	\$ 8,301	\$ 8,570
Capital assets	54,341	53,567
Total Assets	62,642	62,137
Current liabilities	1,616	1,584
Long-term liabilities	7,359	8,541
Total Liabilities	8,975	10,125
Investment in capital assets, net of related debt	46,007	44,096
Restricted	11	10
Unrestricted	7,649	7,906
Total Net Assets	\$ 53,667	\$ 52,012

Total net assets for Governmental Activities at fiscal year-end were \$54 million, up from \$52 million in the previous year. Of the Town's total net assets at June 30, 2008, \$7.6 million or 14.3% is unrestricted. This compares with last year's total unrestricted net assets of \$7.9 million or 15.2% unrestricted.

The largest portion of the Town's net assets, 86%, reflects its investment in capital assets (e.g., land, buildings, machinery and equipment and infrastructure), net of depreciation and any outstanding debt related to these assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Unrestricted net assets of \$7,648,658 may be used to meet the Town's ongoing obligations to citizens and creditors.

TOWN OF HEBRON, CONNECTICUT
Changes in Net Assets (\$000's)
For the Years Ended June 30, 2008 and 2007

	June 30, 2008	June 30, 2007
	Primary	Primary
	Government	Government
	Governmental	Governmental
	Activities	Activities
Revenues:		
Program Revenues:		
Charge for services	\$ 2,456	\$ 2,093
Operating grants and contributions	6,753	5,856
Capital grants and contributions	750	390
General Revenues:		
Property taxes	22,310	21,458
Grants not restricted to specific programs	1,051	895
Unrestricted investment earnings	354	489
Total revenues	33,674	31,181
Expenses:		
General government	3,635	3,387
Education	24,006	22,301
Public safety	431	1,025
Health and welfare	1,188	1,307
Public works	2,053	1,415
Sewer and other	346	556
Interest on long-term debt	360	489
Total expenses	32,019	30,480
Extraordinary item:		
State teachers on-behalf revenue	3,400,000	-
State teachers on-behalf payments	(3,400,000)	-
	-	-
Change in net assets	1,655	701
Net Assets, beginning	52,012	51,311
Net Assets, ending	\$ 53,667	\$ 52,012

Governmental Activities

For Governmental Activities, more than 60.2% of the revenues were derived from property taxes, followed by 32.2% from other intergovernmental revenues.

Major revenue factors included:

1. Property tax revenues recorded during fiscal year 2008 reflect an increase in the mill rate for the current levy and a revaluation.

2. Intergovernmental revenues were better than anticipated due to an increase in the ECS grant.

For Governmental Activities, 77.4% of the Town's expenses relate to education, 1.2% relates to public safety, 10.3% to general government, 6.5% to public works, 3.6% to health and human services, 1.0% to interest on long-term debt, and those are the major percentages.

Major expense factors include:

1. Education operating expenses increased by 7.6% from \$22.3 million to \$24.0 million. This increase was due to an increase in general operating cost.

Financial Analysis of the Fund Financial Statements

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's general fund reported combined ending fund balances of approximately \$4.5 million, an increase of \$1,098,185 as reported on June 30, 2007; \$3,611,443 of this total amount constitutes unreserved fund balance. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: \$242,758 for encumbrances.

As stated earlier, the fund balance of the Town's general fund increased by \$1,098,185 during the current fiscal year. The key factor in this increase is as follows:

1. Better than anticipated revenues from property taxes and intergovernmental revenues.

As of the end of the current fiscal year, the Debt Management Fund decreased by \$552,853, due to a transfer of \$600,000 to the General Fund.

The Sewer Assessment Fund decreased its fund balance by \$182,323, ending with a fund balance of \$176,505 as of June 30, 2008. This decrease was caused by transfers out of \$480,000 to the General Fund.

The Capital Projects Fund had a decrease in fund balance of \$879,399 as capital outlay exceeded revenues and transfers in the current year.

General Fund Budgetary Highlights

There was no difference between the original budget and the final amended budget.

During the year, actual revenues and other financing sources on a budgetary basis were approximately \$31.6 million, which exceeded budgetary estimates by \$597,165. Actual tax revenues exceeded budget by \$219,084, which in part represents more aggressive pursuit of delinquent taxes. Actual fees, permits and licenses were \$241,115 under budget due to less activity than expected in building fees, conveyance tax, engineering fees, and other fees. Interest income was \$54,811 under budget due to lower than expected interest rates.

Actual expenditures on a budgetary basis and other financing uses totaled \$30,790,613, which were less than actual revenues and other financing sources on a budgetary basis by \$854,053.

Capital Assets and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental activities as of June 30, 2008, amount to \$54,341.165 net of accumulated depreciation. This investment in capital assets includes land, building and system improvements, machinery and equipment, park facilities, and infrastructure.

TOWN OF HEBRON, CONNECTICUT

Capital Assets (Gross)

As of June 30, 2008 and 2007

	June 30, 2008	June 30, 2007
Land	\$ 9,610,993	\$ 9,610,993
Construction in progress	2,320,927	226,310
Buildings and improvements	24,923,321	24,923,321
Furniture and equipment	7,515,116	7,310,586
Infrastructure	33,784,269	33,784,269
Total	\$ 78,154,626	\$ 75,855,479

Additional information can be found in Note 7 of this report.

Major capital asset events during the current fiscal year included the following:

1. Construction in progress, principally infrastructure of approximately \$2,000,000.

Long-term debt. At the end of the current fiscal year, the Town had total bonds and notes outstanding of \$8,652,249. 100% of this debt is backed by the full faith and credit of the Town. The Town's total debt decreased by \$1,190,097 during fiscal 2008.

The last bond rating was for the General Obligation Bond Issue of 2008 for the Park Development Project, totaling \$4,300,000. The Bonds were rated AA by Standard & Poor's and this was an upgrade requiring a material event notice to the repositories.

The overall statutory debt limit for the Town is equal to seven times annual receipts from taxation or \$156,664,970.

Additional information on the Town of Hebron's long-term debt can be found in Note 8 of this report.

Economic Factors and Next Year's Budgets and Rates

The Town has not been immune from the effects of the national economic downturn. As of June 2008, the unemployment rate for the Hebron Labor Market Area was 3.9%, as in prior year. Connecticut's overall unemployment rate stands at 6.4%, compared with 3.9% for the same time last year. The State of Connecticut continues to reduce funding to the Town and other municipalities. This, coupled with unfunded educational mandates and increased employee benefit costs, creates a challenge for Hebron. The Town, however, is poised to overcome such challenges with its commitments to economic development, cost reduction, debt reduction and a comprehensive re-zoning plan.

Requests for Information

The financial report is designed to provide a general overview of the Town's finances for all those with an interest in government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town of Hebron, Finance Director, 15 Gilead Street, Hebron, Connecticut 06248.

TOWN OF HEBRON, CONNECTICUT

STATEMENT OF NET ASSETS

June 30, 2008

	Governmental Type Activities
Assets	
Cash and cash equivalents	\$ 6,361,978
Receivables, net of allowance for collection losses:	
Property taxes, net	572,240
Assessments and user fees	1,168,946
Intergovernmental and other	194,520
Inventories	3,059
Capital assets, non-depreciable	11,931,920
Capital assets, net of accumulated depreciation	42,409,245
Total assets	62,641,908
Liabilities	
Accounts payable and accruals	293,117
Unearned revenue	115,323
Noncurrent liabilities:	
Due in less than one year	1,207,299
Due in more than one year	7,359,335
Total liabilities	8,975,074
Net Assets	
Investment in capital assets, net of related debt	46,007,316
Restricted:	
Nonexpendable - permanent trust	10,860
Unrestricted	7,648,658
Total net assets	\$ 53,666,834

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

TOWN OF HEBRON, CONNECTICUT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Change in Net Assets
					Primary Government Total
Primary government:					
Governmental activities:					
General government	\$ (3,634,827)	\$ 694,680	\$ 35,969	\$ -	\$ (2,904,178)
Public safety	(430,714)	23,822	1,737	630,374	225,219
Civic and human service	(1,188,062)	750,773	45,744	-	(391,545)
Planning and land use	(75,869)	41,006	-	-	(34,863)
Public works	(2,052,382)	393,785	-	119,856	(1,538,741)
Sewer fees	(270,891)	298,909	-	-	28,018
Education	(24,006,912)	253,016	6,669,226	-	(17,084,670)
Interest on long-term debt	(360,099)	-	-	-	(360,099)
Total governmental activities	\$ (32,019,756)	\$ 2,455,991	\$ 6,752,676	\$ 750,230	(22,060,859)
General revenues:					
Property taxes					22,310,176
Grants and contributions not restricted to specific programs					1,051,342
Unrestricted investment earnings					354,050
State teachers on-behalf revenue (Note 13)					3,400,000
State teachers on-behalf payments (Note 13)					(3,400,000)
Total general revenues					23,715,568
Change in net assets					1,654,709
Net assets - beginning					52,012,125
Net assets - ending					\$ 53,666,834

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

TOWN OF HEBRON, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2008

	Major Funds				Other Nonmajor	Total
	General Fund	Debt Management	Sewer Assessment	Capital Projects	Governmental Funds	Governmental Funds
Assets						
Cash and cash equivalents	\$ 2,941,741	\$ 1,420,506	\$ 146,772	\$ 597,921	\$ 1,255,038	\$ 6,361,978
Receivables (net of allowances for collection losses):						
Property taxes	572,240	-	-	-	-	572,240
Assessments and user fees	-	-	1,143,588	-	25,358	1,168,946
Intergovernmental and other	194,520	-	-	-	-	194,520
Due from other funds	783,402	-	-	-	107,545	890,947
Inventories	-	-	-	-	3,059	3,059
Total assets	\$ 4,491,903	\$ 1,420,506	\$ 1,290,360	\$ 597,921	\$ 1,391,000	\$ 9,191,690
Liabilities						
Accounts payable and accruals	\$ 130,603	\$ -	\$ -	\$ 83,309	\$ 25,529	\$ 239,441
Due to other funds	107,545	-	6,219	673,491	103,692	890,947
Deferred revenues	399,554	-	1,107,636	-	-	1,507,190
Unearned revenues	-	-	-	-	115,323	115,323
Total liabilities	637,702	-	1,113,855	756,800	244,544	2,752,901
Fund balances (deficits)						
Reserved for:						
Encumbrances	242,758	-	-	-	54,336	297,094
Inventories	-	-	-	-	3,059	3,059
Permanent fund	-	-	-	-	10,860	10,860
Unreserved:						
Designated for specific projects	-	-	-	949,258	-	949,258
Unreserved/undesignated:						
General Fund	3,611,443	-	-	-	-	3,611,443
Special revenue funds	-	1,420,506	176,505	-	1,078,201	2,675,212
Capital projects funds	-	-	-	(1,108,137)	-	(1,108,137)
Total fund balances (deficits)	3,854,201	1,420,506	176,505	(158,879)	1,146,456	6,438,789
Total liabilities and fund balances (deficits)	\$ 4,491,903	\$ 1,420,506	\$ 1,290,360	\$ 597,921	\$ 1,391,000	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	54,341,165
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recorded or deferred in the funds.	1,507,190
Accrued interest payable	(53,676)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(8,566,634)

Net assets of governmental activities \$ 53,666,834

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

TOWN OF HEBRON, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS) -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	Major Funds				Other Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Debt Management	Sewer Assessment	Capital Projects		
REVENUES						
Property taxes	\$ 22,473,200	\$ -	\$ -	\$ -	\$ -	\$ 22,473,200
Intergovernmental	7,967,184	-	-	630,374	79,290	8,676,848
Charges for services	430,935	-	273,515	-	1,258,974	1,963,424
Income from investments	195,189	47,147	24,162	47,019	38,368	351,885
Other revenues	347,158	-	-	1,130	22,223	370,511
Total revenues	31,413,666	47,147	297,677	678,523	1,398,855	33,835,868
EXPENDITURES						
Current:						
General government	2,252,283	-	-	-	-	2,252,283
Public safety	629,060	-	-	-	-	629,060
Civic and Human Service	557,861	-	-	-	623,492	1,181,353
Planning and land use	108,231	-	-	-	9,277	117,508
Public Works	877,981	-	-	-	-	877,981
Sewer fees	8,410	-	-	-	304,119	312,529
Insurance and benefits	930,312	-	-	-	-	930,312
Education	23,537,458	-	-	-	268,214	23,805,672
Debt service:						
Principal	1,208,487	-	-	-	-	1,208,487
Interest	313,214	-	-	-	-	313,214
Capital outlay	845	-	-	2,353,061	-	2,353,906
Total expenditures	30,424,142	-	-	2,353,061	1,205,102	33,982,305
Revenues over (under) expenditures	989,524	47,147	297,677	(1,674,538)	193,753	(146,437)
OTHER FINANCING SOURCES (USES)						
Transfers in	1,130,000	-	-	795,139	226,200	2,151,339
Transfers out	(1,021,339)	(600,000)	(480,000)	-	(50,000)	(2,151,339)
Total other financing sources (uses)	108,661	(600,000)	(480,000)	795,139	176,200	-
Extraordinary items (Note 13)						
State teachers on-behalf payments	(3,400,000)	-	-	-	-	(3,400,000)
State teachers on-behalf revenue	3,400,000	-	-	-	-	3,400,000
Total extraordinary items	-	-	-	-	-	-
Net change in fund balances	1,098,185	(552,853)	(182,323)	(879,399)	369,953	(146,437)
FUND BALANCES, beginning	2,756,016	1,973,359	358,828	720,520	776,503	6,585,226
FUND BALANCES (DEFICITS), ending	\$ 3,854,201	\$ 1,420,506	\$ 176,505	\$ (158,879)	\$ 1,146,456	\$ 6,438,789

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

TOWN OF HEBRON, CONNECTICUT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances – total governmental funds	\$ (146,437)
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 outlays exceeded depreciation in the current period.	773,904
Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the funds until they become measurable and available.	(160,821)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,195,421
Some expenses reported in the statement of activities that do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds until they are paid.	<u>(7,358)</u>
Change in net assets of governmental activities	<u><u>\$ 1,654,709</u></u>

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

TOWN OF HEBRON, CONNECTICUT

STATEMENT OF REVENUES AND EXPENDITURES - BUDGETARY BASIS -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2008

	Original	Revised Final	Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
REVENUES				
Property taxes, interest and lien fees	\$ 22,254,116	\$ 22,254,116	\$ 22,473,200	\$ 219,084
Intergovernmental	6,626,838	6,626,838	7,068,184	441,346
Charges for services	672,050	672,050	430,935	(241,115)
Income from investments	250,000	250,000	195,189	(54,811)
Other	114,497	114,497	347,158	232,661
Total revenues	29,917,501	29,917,501	30,514,666	597,165
EXPENDITURES				
General government	2,286,771	2,293,883	2,282,436	11,447
Public Safety	802,825	767,797	656,242	111,555
Civic and Human Service	612,298	608,131	565,600	42,531
Planning and Land Use	111,278	119,238	117,799	1,439
Public Works	965,290	982,163	960,535	21,628
Sewer fees	8,640	8,640	8,410	230
Insurance and benefits	916,844	964,321	931,312	33,009
Education	22,759,340	22,759,340	22,725,238	34,102
Debt service	1,562,876	1,521,803	1,521,702	101
Total expenditures	30,026,162	30,025,316	29,769,274	256,042
Revenues over (under) expenditures	(108,661)	(107,815)	745,392	853,207
OTHER FINANCING SOURCES (USES)				
Transfers in	1,130,000	1,130,000	1,130,000	-
Transfers out	(1,021,339)	(1,022,185)	(1,021,339)	846
Total other financing sources (uses)	108,661	107,815	108,661	846
Revenues and other financing sources over expenditures and other financing uses	\$ -	\$ -	\$ 854,053	\$ 854,053

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

TOWN OF HEBRON, CONNECTICUT

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

June 30, 2008

	Pension Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ -	\$ 92,103
Investments:		
Mutual funds	1,695,910	-
Total assets	1,695,910	92,103
LIABILITIES		
Amounts held for others	-	92,103
Total liabilities	-	92,103
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
	\$ 1,695,910	\$ -

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

TOWN OF HEBRON, CONNECTICUT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - PENSION TRUST

For the Year Ended June 30, 2008

	Pension Trust Fund
	<u> </u>
ADDITIONS	
Contributions	
Employer	\$ 221,619
Total contributions	<u>221,619</u>
Investment Income (Loss)	
Interest and dividends	14,753
Net depreciation in fair value of investments	<u>(101,750)</u>
Net investment income (loss)	<u>(86,997)</u>
Total additions	134,622
DEDUCTIONS	
Benefits	<u>158,167</u>
Change in net assets	(23,545)
NET ASSETS HELD IN TRUST	
Beginning of year	<u>1,719,455</u>
End of year	<u>\$ 1,695,910</u>

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

TOWN OF HEBRON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS June 30, 2008

Note 1. Summary of Significant Accounting Policies

Reporting entity

The Town of Hebron, Connecticut (the "Town"), was incorporated in 1708. The Town operates under a Charter which became effective in November 1988 and was most recently amended in November 2003. The form of government includes an elected Board of Selectmen consisting of five members, an elected six member Board of Finance, and an elected seven member local Board of Education.

The legislative power of the Town is vested with the Board of Selectmen and the Town Meeting. The Board of Selectmen may enact, amend or repeal ordinances and resolutions. The administration of Town offices and agencies, with the exception of the local Board of Education, is the responsibility of the Town Manager, who is appointed by the Board of Selectmen.

The Board of Finance is responsible for financial and taxation matters as prescribed by Connecticut General Statutes, and is responsible for presenting fiscal operating budgets for Town Meeting approval.

The Town provides the following services: police, fire, community health and social services, solid waste removal, cultural and recreation services, education, streets and highways, planning and zoning, public improvements and general administrative services.

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 criteria provided in Government Accounting Standards Board Statement Codification 2100 have been considered and there are no agencies or entities which should be presented with the Town.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities normally are supported by taxes and intergovernmental revenues.

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. 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.

TOWN OF HEBRON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2008

Separate fund 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.

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 fiduciary fund financial statements, except for Agency Funds which have no measurement focus. 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 for. 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. Expenditures are generally 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 (matured).

Property taxes when levied for, intergovernmental revenue when eligibility requirements are met, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual (measurable) and so have been recognized as revenues of the current fiscal period, if available. All other revenue items are considered to be measurable only when cash is received by the Town, or specifically identified.

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 *Debt Management Fund* is used to account for the accumulation of reserves to stabilize the effect on the mill rate of future debt service requirements.

The *Capital Projects Fund* is used to account for the financial resources for the acquisition and construction of major capital facilities.

The *Sewer Assessment Fund* is used to account for the activities related to sewer assessment and collection.

TOWN OF HEBRON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2008

Additionally, the Town reports the following fund types:

The *Pension Trust Fund* is used to account for the accumulation of resources to be used for retirement benefits.

Agency Funds account for monies held as a custodian for outside groups and agencies, and are used for senior activities, performance bonds and student activities. Agency funds have no measurement focus; however, they do follow the accrual basis of accounting.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

Pension plan accounting

Pension Trust Fund:

The Pension Trust Fund is reported on the accrual basis of accounting. Employer contributions to the plan are recognized when due and the Town has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Administrative costs are financed through investment earnings. Stand-alone statements are not issued.

Governmental Funds:

Expenditures are recognized when they are paid or are expected to be paid with current available resources.

Funding Policy:

The Town contributes five percent (5%) of compensation for Board of Education non-certified employees and seven percent (7%) for all Town employees.

Accounting 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and expenditures during the reporting period. Actual results could differ from those estimates.

TOWN OF HEBRON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2008

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as a reservation of fund balance as they do not constitute either expenditures or liabilities.

Property taxes

Property taxes are assessed as of October 1 and are levied on the following July 1. Real estate tax greater than \$250 is due in two installments on July 1 and the following January 1. Liens are filed on delinquent real estate taxes within one year.

Cash equivalents

The Town considers all certificates of deposit and highly liquid short-term investment funds with original maturities of three months or less, when purchased, to be cash equivalents.

Allowances for doubtful accounts

Accounts and notes receivable for the primary government are reported net of allowance for doubtful accounts of approximately \$80,000. The allowance for doubtful accounts represents those accounts which are deemed uncollectible based upon collection history and an analysis of the creditor's ability to pay.

Investments

Investments are stated at fair value, based on quoted market prices. All of the Town's investments are recorded in the Pension Trust Fund. Fixed income funds are reported at fair value based on the unit prices quoted by the fund representing the fair value of the underlying investment. The Connecticut State Treasurer's Short-Term Investment Fund is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27c through 3-27e. Investment guidelines are adopted by the State Treasurer. The fair value of the position in the pool is the same as the value of the pool shares.

The balance of the pooled fixed income investments were invested in a pool similar to a 2a-7. The fair value of the position in the pool is the same as the value of the pool shares. These investments are stated at amortized cost.

TOWN OF HEBRON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2008

Inventories

Inventories are stated at lower of cost on FIFO method or market. Governmental fund type inventory consists of expendable foods and supplies and is recorded as an expenditure when consumed.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 for furniture, equipment and buildings, and \$50,000 for infrastructure. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the Town is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	25-50
Building improvements	25-50
System infrastructure	20-50
Furniture and equipment	5-25

Capital assets are reported as expenditures (capital outlay) and no depreciation expense is reported in the governmental fund financial statements.

Compensated absences

Town employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement.

Sick leave and vacation leave expenditures are recognized in the governmental funds in the current year to the extent they are due. The liability for the remainder of the vested sick leave and vacation leave, and an estimate of the nonvested portion expected to be paid in future periods, is accounted for in the government-wide statement of net assets. The vesting method using historical data was used to calculate the liability. Compensated absences are generally liquidated by the general fund.

TOWN OF HEBRON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2008

Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the 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 interest method. Bonds payable are reported net of the applicable bond premium or discount.

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. Debt principal payments are reported as expenditures.

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduces this category.

Restricted Net Assets - This category represents the net assets of the Town, which are restricted by external parties (creditors, grantors, contributors or laws and regulations).

Unrestricted Net Assets - This category represents the net assets of the Town, which are not restricted for any project or other purpose.

In the fund financial statements, fund balances of governmental funds are classified in three separate categories as follows:

Reserved fund balance – indicates that portion of fund equity that is not available for appropriation or which has been legally segregated for specific purposes.

Unreserved/Designated fund balance – indicates that portion of fund equity for which the Town has made tentative plans.

Unreserved/undesignated fund balance – indicates that portion of fund equity which is available for appropriation and expenditure in future periods, or if a deficit, for which future funding will be required.

TOWN OF HEBRON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this difference are as follows:

Bonds payable	\$ (6,125,000)
Deferred charge on refunding	340,129
Clean Water Fund notes payable	(2,527,249)
Capital leases payable	(21,729)
Compensated absences	<u>(232,785)</u>
Net adjustment to decrease fund balance – total governmental funds to arrive at net assets – governmental activities	<u><u>\$ (8,566,634)</u></u>

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “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.” The details of this difference are as follows:

Capital outlay	\$ 2,299,147
Depreciation expense	<u>(1,525,243)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ 773,904</u></u>

TOWN OF HEBRON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2008

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this difference are as follows:

Principal repayments:	
General obligation debt and Clean Water Fund notes	\$ 1,190,097
Capital leases	36,245
Deferred charge on refunding	<u>(30,921)</u>
Net adjustment to increase net changes in fund balances -	
total governmental funds to arrive at changes in net assets of	
governmental activities	<u><u>\$ 1,195,421</u></u>

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources." The details of the difference are as follows:

Accrued interest	\$ 2,427
Compensated absences	<u>(9,785)</u>
Net adjustment to decrease net changes in fund balances - total	
governmental funds to arrive at changes in net assets of	
governmental activities	<u><u>\$ (7,358)</u></u>

Note 3. Budgets and Budgetary Accounting

General Fund

At least one hundred fifty (150) days before the end of the fiscal year, the head of each department, office or agency of the Town, supported wholly or in part from Town funds, except the Regional Board of Education, files with the Town Manager a detailed estimate of the expenditures to be made and the revenues, other than property taxes, to be collected in the ensuing fiscal year.

The Town Manager, with the assistance of the Financial Administrator, reviews the budget estimates with the heads of all Town supported departments, offices and agencies. No later than one hundred twenty (120) days prior to the end of the fiscal year, the Town Manager presents to the Board of Selectmen a

TOWN OF HEBRON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2008

proposed budget. In preparing the proposed budget, the Town Manager may add to, delete from or eliminate requests made by the various departments, offices and agencies, except that he may only comment and make recommendations on the budget requests of elected officials and the local Board of Education. The Town Manager includes in the budget the estimated budget request of Regional School District #8.

The Board of Selectmen reviews the budget estimates and make further revisions, except that the Board may only make recommendations in the budgets prepared by other elected officers, elected Town agencies and the local Board of Education. The Board of Selectmen submits its budget recommendations to the Board of Finance no later than ninety (90) days before the end of the fiscal year.

The Board of Finance holds at least one public hearing on the budget as presented. The Board of Finance may review the budget requests with the head of each department, board, agency and commission including the local Board of Education. The Board of Finance then prepares a budget to be presented to the annual Town budget meeting.

The Town Charter provides the manner which is to be utilized by Town Meeting in acting upon the budget. The Board of Finance may make supplemental appropriations during the year provided that such appropriations do not cumulatively exceed one-half of one percent (.005) of the current year budget, excluding the amount appropriated to the Regional School District. All subsequent supplemental appropriations are subject to Town Meeting approval. The Board of Finance is authorized to approve transfers from one department, office or agency to another only within the last three (3) months of the fiscal year.

The Charter also provides for the making of emergency appropriations which do not require Town Meeting approval. There were no emergency appropriations made during the year.

Unexpended appropriations lapse at the end of the fiscal year unless specifically continued in force to the subsequent period.

The General Fund budget is prepared on a modified accrual basis of accounting. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued, and accordingly encumbrances outstanding at year-end are reflected in budgetary reports as expenditures in the current year. There were \$242,758 of encumbrances as of June 30, 2008 in the General Fund.

TOWN OF HEBRON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2008

A reconciliation of General Fund revenues as presented in accordance with GAAP and revenues presented on the budgetary basis is as follows:

Revenue and transfers in - budgetary basis	\$ 31,644,666
On-behalf payments paid directly by the State of Connecticut Teachers' Retirement System	899,000
	<hr/>
Revenues and transfers in - GAAP basis	<u><u>\$ 32,543,666</u></u>

A reconciliation of expenditures and transfers out of the General Fund, as reported, and expenditures and transfers out on the budgetary basis is as follows:

Expenditures and transfers-out, budgetary basis	\$ 30,790,613
On-behalf payments paid directly by the State of Connecticut Teachers' Retirement System	899,000
Changes in reserves for encumbrances and liquidation of encumbrances	(244,132)
	<hr/>
Expenditures and transfers-out, GAAP basis	<u><u>\$ 31,445,481</u></u>

Special Revenue Funds

The Town does not have legally adopted annual budgets for its special revenue funds. Budgets for the various special revenue funds that are utilized to account for specific grant programs are established in accordance with the requirements for the grantor agencies. Such budgets are non-lapsing and may comprise more than one fiscal year.

Capital Projects Funds

Legal authorization for expenditures of the capital projects funds is provided by the related bond ordinances and/or intergovernmental grant agreements or Connecticut General Statutes. Capital appropriations do not lapse until completion of the applicable projects.

TOWN OF HEBRON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2008

Note 4. Cash, Cash Equivalents and Investments

Deposits: The Town does not have a policy for deposits. The Town also does not have a custodial credit risk policy. However, as a practice, the Town follows State statutes. 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.

Investments: The Town and the Pension Trust Fund do not have a custodial credit risk policy for investments. The Town and the Pension Trust Fund do not have a policy for investments of related credit risk for debt securities, however, it is their practice to follow State statutes. The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: (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 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. Other provisions of the Statutes cover specific municipal pension funds with particular investment authority and do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries.

Interest rate risk: The Town does not have a policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, including its Pension Trust Fund. However, its practice is to structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

Concentrations: The Town, including its Pension Trust Fund, does not have a formal policy that limits the amounts invested in any one issuer. However, its practice is to maintain a diversified portfolio to minimize the risk of loss resulting from over-concentration of assets in a specific issuer.

Custodial credit risk:

Deposits: This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an out side party. As of June 30, 2008, approximately \$1,959,000 of the Town's bank balance of \$2,396,000 was uninsured and uncollateralized.

Investments: This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

TOWN OF HEBRON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

Cash and investments of the Town consist of the following at June 30, 2008:

Cash and Cash Equivalents	
Deposits with financial institutions	\$ 2,065,583
State of Connecticut Short-Term Investment fund	4,283,830
MBIA- Class Account	104,668
Total cash and cash equivalents	<u>6,454,081</u>
Investments	
Pension Trust Funds:	
Mutual Funds	1,695,910
Total investments	<u>1,695,910</u>
Total cash, cash equivalents and investments	<u>\$ 8,149,991</u>

Cash, cash equivalents and investments are classified in the accompanying financial statements as follows:

Statement of Net Assets	
Cash and cash equivalents	<u>\$ 6,361,978</u>
Fiduciary Funds:	
Cash and cash equivalents	92,103
Investments	1,695,910
	<u>1,788,013</u>
Total cash, cash equivalents and investments	<u>\$ 8,149,991</u>

TOWN OF HEBRON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

Interest rate risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the exposure of the Town's debt type investments to this risk using the segmented time distribution model is as follows:

	Fair Value	Investment Maturities (in Years) Less Than 1 Year
Pooled Income Fund	\$ 4,388,498	\$ 4,388,498

Credit Risk: Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. Presented below is the minimum rating as required for each debt-type investment.

Average Rating	Pooled Income Funds
AAA	\$ 4,283,830
AA	104,668
	<u>\$ 4,388,498</u>

TOWN OF HEBRON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

Note 5. Unearned Revenue/Deferred Revenue

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 and governmental activities also report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue and deferred revenue reported in the governmental funds and governmental activities were as follows:

	Deferred Revenues	Unearned Revenue
General Fund:		
Delinquent property taxes receivable	\$ 399,554	\$ -
Major Funds:		
Sewer assessments not yet due	1,107,636	-
Nonmajor Funds:		
Grants and other revenues	-	115,323
Total	<u>\$ 1,507,190</u>	<u>\$ 115,323</u>

Note 6. Interfund Receivables, Payables and Transfers

As of June 30, 2008, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 783,402	\$ 107,545
Other Nonmajor Funds	107,545	103,692
Capital Project Fund	-	673,491
Sewer Assessment Fund	-	6,219
Totals	<u>\$ 890,947</u>	<u>\$ 890,947</u>

TOWN OF HEBRON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

Balances resulted principally from the funding of capital and other expenditures by the general fund; in addition, the balances resulted from short-term advances from the General Fund to various other funds.

Interfund transfers during the year ended June 30, 2008 were as follows:

	Transfers From Other Funds	Transfers To Other Funds
General Fund	\$ 1,130,000	\$ 1,021,339
Capital Projects Fund	795,139	-
Sewer Assessment Fund	-	480,000
Debt Management Fund	-	600,000
Non-Major and Other Funds	226,200	50,000
Totals	\$ 2,151,339	\$ 2,151,339

Transfers are used to account for unrestricted revenues collected mainly in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations.

Transfers into the general fund are primarily to make principal and interest payments on general obligation and clean water debt.

TOWN OF HEBRON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

Note 7. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 9,610,993	\$ -	\$ -	\$ 9,610,993
Construction in progress	226,310	2,094,617	-	2,320,927
Total capital assets not being depreciated	9,837,303	2,094,617	-	11,931,920
Capital assets, being depreciated:				
Buildings and improvements	24,923,321	-	-	24,923,321
Furniture and equipment	7,310,586	204,530	-	7,515,116
Infrastructure	33,784,269	-	-	33,784,269
Total capital assets being depreciated	66,018,176	204,530	-	66,222,706
Less accumulated depreciation for:				
Buildings and improvements	4,910,677	524,391	-	5,435,068
Furniture and equipment	3,311,782	325,154	-	3,636,936
Infrastructure	14,065,759	675,698	-	14,741,457
Total accumulated depreciation	22,288,218	1,525,243	-	23,813,461
Total capital assets, being depreciated, net	43,729,958	(1,320,713)	-	42,409,245
Governmental activities capital assets, net	\$ 53,567,261	\$ 773,904	\$ -	\$ 54,341,165

TOWN OF HEBRON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

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

General government	\$	26,416
Public safety		134,757
Public works		806,408
Parks and recreation		2,100
Library		63,321
Health and welfare		22,205
Education		470,036
Total depreciation expense	\$	<u>1,525,243</u>

Note 8. Long-Term Obligations

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Bonds and notes payable:					
General obligation bonds	\$ 6,715,000	\$ -	\$ (590,000)	\$ 6,125,000	\$ 590,000
Clean water fund notes	3,127,346	-	(600,097)	2,527,249	612,100
Deferred charge on refunding	(371,050)	-	30,921	(340,129)	(30,921)
Total bonds and notes payable	9,471,296	-	(1,159,176)	8,312,120	1,171,179
Other Long-Term Liabilities:					
Capital leases	57,974	-	(36,245)	21,729	20,520
Compensated absences	223,000	18,546	(8,761)	232,785	15,600
Total other long-term liabilities	280,974	18,546	(45,006)	254,514	36,120
Governmental activity long-term liabilities	\$ 9,752,270	\$ 18,546	\$ (1,204,182)	\$ 8,566,634	\$ 1,207,299

TOWN OF HEBRON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

As of June 30, 2008, the outstanding long-term indebtedness of the Town was as follows:

	<u>Outstanding Amount</u>
General Obligation Bonds:	
\$1,535,000 General Obligation bond, issued October 1997, interest payable at rates from 4.3% to 5.0%, due in principal amounts ranging from \$100,000 to \$105,000 annually through 2012.	\$ 500,000
\$1,800,000 General Obligation bond, issued July 15, 2004, interest payable at rates from 3.875% to 4.5%, due in principal amounts of \$90,000 annually through July 2024.	1,530,000
School Bonds:	
\$5,720,000 School bond, issued October 21, 2004, interest payable at rates from 2.0% to 4.0%, due in principal amounts ranging from \$100,000 to \$415,000 annually through 2019.	4,095,000
Clean Water Fund Notes:	
\$7,511,895 Clean Water Fund note, issued August 1992, interest payable at 2%, due in principal amounts ranging from \$390,195 to \$448,212 through 2012.	1,740,798
\$1,895,060 Clean Water Fund note, issued May 1994, interest payable at 2%, due in principal amounts ranging from \$107,885 to \$123,926 through 2012.	481,318
\$1,133,393 Clean Water Fund note, issued November 1995, interest payable at 2%, due in principal amounts ranging from \$67,405 to \$78,951 through 2012.	<u>305,133</u>
Total general obligation bonds and notes payable	<u><u>\$ 8,652,249</u></u>

TOWN OF HEBRON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

The annual debt service requirements of general obligation bonds and notes payable are as follows:

	Principal	Interest	Total
2009	\$ 1,202,100	\$ 279,466	\$ 1,481,566
2010	1,204,341	245,575	1,449,916
2011	1,214,721	209,907	1,424,628
2012	1,221,087	177,439	1,398,526
2013	565,000	142,083	707,083
2014	465,000	122,295	587,295
2015	460,000	105,570	565,570
2016	455,000	89,077	544,077
2017	450,000	72,758	522,758
2018	440,000	56,108	496,108
2019	435,000	39,338	474,338
2020	90,000	21,803	111,803
2021	90,000	18,000	108,000
2022	90,000	14,119	104,119
2023	90,000	10,125	100,125
2024	90,000	6,075	96,075
2025	90,000	2,025	92,025
	<u>\$ 8,652,249</u>	<u>\$ 1,611,763</u>	<u>\$ 10,264,012</u>

Prior Year's Debt Defeasance

In prior years, the Town defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the basic financial statements. At June 30, 2008, the Town's portion of bonds outstanding that are considered defeased is approximately \$3.6 million.

Bonds authorized but unissued

Total authorized but unissued debt at June 30, 2008 relating to capital projects is as follows:

General Purpose	\$ 500,000
Schools	8,550,940
	<u>\$ 9,050,940</u>

TOWN OF HEBRON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2008

Legal debt limit

The Town's indebtedness (including authorized but not unissued bonds), net of principal reimbursements expected from the state, does not exceed the legal debt limitation as established by the Connecticut General Statutes as reflected in the following schedule:

Category	Debt Limit	Indebtedness	Balance
General purpose	\$ 52,880,609	\$ 6,431,930	\$ 46,448,679
Schools	105,761,219	12,489,642	93,271,577
Sewers	88,134,348	2,445,203	85,689,145
Urban renewal	76,383,102	-	76,383,102
Pension deficit	70,507,479	-	70,507,479

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, or \$164,517,451. All long-term debt obligations are retired through General Fund appropriations.

Overlapping Debt

Hebron is a member of Regional School District #8 (the "District") which provides education for grades seven through twelve for the Towns of Hebron, Andover and Marlborough. As of June 30, 2008, the Town of Hebron's share will be approximately 52.97% of the remainder, or approximately \$15,600,000 of the Regional School District #8's outstanding bonds. These are general obligations of Regional School District #8 and its member towns.

Capital lease obligations

The Town has various capital leases in which they acquire capital assets. Interest rates on these leases range from 4.2% to 5.0%. The capital leases are for various computer equipment and vehicles. The leases are payable in monthly installments through 2010. Original cost and accumulated depreciation at June 30, 2008 of capital assets under such lease agreements are as follows:

Machinery and equipment	\$ 176,905
Accumulated depreciation	(155,327)
Net book value	<u>\$ 21,578</u>

TOWN OF HEBRON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

Future minimum lease payments under capital leases are as follows:

<u>Fiscal Year</u>	
2009	\$ 22,853
2010	1,209
	<hr/> 24,062
Less amount representing interest	2,333
	<hr/> \$ 21,729

Note 9. Employee Retirement Systems

Substantially, all Town employees and Board of Education non-certified employees are eligible to participate in a defined contribution money accumulation pension plan administered by the Town. The Plan is authorized under the Town Charter and can be amended by a vote of the Selectman. This plan is reported as a Pension Trust Fund in this report. All investments are invested and administered by the ING Life Insurance and Annuity Company and are reported at contract value. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings.

To be eligible to participate in the Plan, the employee must be at least twenty-one years of age and complete one year of service. The Plan does not allow for employee contributions. The Town contributes five percent (5%) of compensation for Board of Education non-certified employees and seven percent (7%) for all Town employees.

Employer contributions become fully vested upon completion of six years of service. Employer contributions to the Plan were \$221,619 (net of forfeitures). The Plan does not issue stand-alone financial statements.

Connecticut State Teachers' Retirement System

The faculty and professional personnel of the Board of Education participate in a contributory defined benefit plan, established under Chapter 167a of the Connecticut General Statutes, which is administered by the Connecticut State Teachers' Retirement Board. A teacher is eligible to receive normal retirement benefits if he or she has attained age sixty and has accumulated twenty years of credited service in the public schools of Connecticut or has attained any age and has accumulated thirty-five years of credited service, at least twenty-five of which are service in the public schools of Connecticut. The State of Connecticut Teacher Retirement System is considered to be part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106.

TOWN OF HEBRON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2008

Certain part-time and full-time certified teachers are eligible to participate in the plan and are required to contribute 7.25% of their annual earnings to the plan. The Town does not, and is not legally responsible to, contribute to the plan.

The State of Connecticut contributes based on actuarially determined amounts. The funding level was determined based on an actuarial valuation of the plan as a whole, which does not provide actuarial information on an individual city/town basis.

In addition, the Town has recognized revenues and expenditures for on-behalf payments for pension contributions paid directly to the Connecticut State Teachers' Retirement System by the State of Connecticut. Such on-behalf payments were approximately \$4,300,000 for the year ended June 30, 2008. (See Note 13 for further disclosure.)

Note 10. Fund Deficits

The following funds had fund deficits as of June 30, 2008:

Miscellaneous Grants Fund	<u>\$ 2,347</u>
Capital Projects Fund	<u>\$158,879</u>

The deficit is expected to be eliminated through transfers from the Town's general fund and from other revenue sources or future bonding.

Note 11. Contingencies and Commitments

Lawsuits

The Town is currently involved in several litigation matters. In the opinion of the Town's management and legal counsel, the final settlement of these matters will not have a material adverse effect on the financial condition of the Town.

Inter-municipal Agreements and Commitments

Inter-municipal Agreement for Septic Waste Disposal

The Town is party to an inter-municipal agreement for septic waste disposal. The Town of East Hampton has agreed to accept septic from Hebron and four other towns. East Hampton borrowed \$837,000 from the State of Connecticut Clean Water Fund to finance improvements to its plant to accommodate septic from the other towns. Each town is committed to paying a portion of the cost of improvements over a twenty-year period. Additionally, operating costs and a utilization fee will also be charged and the agreement may

TOWN OF HEBRON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2008

be terminated by either party with notice. The actual amount paid this year for the Town's portion of the improvements was \$19,500.

Inter-municipal Agreement for an Equalization Tank and Sewerage Study

The Town is party to an inter-municipal agreement with the Town of Colchester to install an equalization tank at the Prospect Hill Station and to conduct a sewerage study. The total cost of the equalization tank net of State grants received was \$372,709 and the cost of the sewerage study net of State grants received is \$11,044. The annual payment is based on the cost divided by twenty years times a percentage of Colchester's annual flow. The total revenue received for the year ended June 30, 2008 is \$20,050.

Regional District #8

The Towns of Hebron, Marlborough and Andover have approved an appropriation of \$70,585,000 for Regional School District #8 construction. The project will be eligible for approximately \$35,147,000 in State grants. The balance will be bonded and each town will pay its proportionate share of debt to the Regional School District each year. The Regional School District has debt outstanding of approximately \$29,410,000 on this project. Hebron's share will be approximately 52.97% of the outstanding debt, or approximately \$15,600,000.

Note 12. Risk Management

The Town is exposed to various risks of loss related to public official liability, police professional liability, theft or impairment of assets, errors or omissions, injury to employees, natural disasters, employee health, and owners and contractors protective liability.

The Town purchases commercial insurance for all risks of loss including blanket and umbrella policies. Coverage has not been materially reduced, nor have settled claims exceeded commercial coverage in any of the past three years.

Note 13. Extraordinary Item

The State of Connecticut issued approximately \$2.3 billion in taxable general obligation bonds to be used for deposit into the State of Connecticut Teachers' Retirement Fund. As contributions to the fund represent on-behalf payment to the Town, an amount of \$3,400,000 has been recorded as an extraordinary item in the Town's financial statements.

Note 14. Pronouncements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations.

TOWN OF HEBRON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2008

Management has not currently determined what, if any, impact implementation of the following standards may have on the financial statements:

- ♦ GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," issued June 2004, will be effective for the Town beginning with its year ending June 30, 2009. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits, expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports.
- ♦ GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets," issued June, 2007. Governments possess many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. Intangible assets, and more specifically easements, are referred to in the description of capital assets in Statement No. 34, "Basic Financial Statements - and Management's Discussion and analysis - for State and Local Governments." This reference has created questions as to whether and when intangible assets should be considered capital assets for financial reporting purposes. An absence of sufficiently specific authoritative guidance that addresses these questions has resulted in inconsistencies in the accounting and financial reporting of intangible assets among state and local governments, particularly in the areas of recognition, initial measurement, and amortization. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009.
- ♦ GASB Statement No. 52, "Land and Other Real Estate Held as Investment by Endowments". This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009.
- ♦ GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments". This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2008.

**Supplemental and Combining Nonmajor
Fund Statements and Schedules**

General Fund

General Fund

The General Fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

TOWN OF HEBRON, CONNECTICUT

GENERAL FUND REVENUES AND OTHER FINANCING SOURCES -
 BUDGETARY BASIS - BUDGET AND ACTUAL
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
PROPERTY TAXES				
Taxes, Interest and Lien Fees	\$ 22,254,116	\$ 22,254,116	\$ 22,473,200	\$ 219,084
LICENSES, FEES AND CHARGES				
ZBA	1,000	1,000	714	(286)
Wetland Fees	8,000	8,000	8,966	966
Building	175,000	175,000	108,273	(66,727)
Town Clerk Fees	16,000	16,000	14,879	(1,121)
Recording Fees	90,000	90,000	53,929	(36,071)
Sportsmen's Licenses	1,200	1,200	387	(813)
Conveyance Tax	130,000	130,000	103,884	(26,116)
Marriage Licenses	250	250	228	(22)
Planning and Zoning Fees	15,000	15,000	20,364	5,364
Compactor/Recycling	55,000	55,000	65,568	10,568
Dog Fund	7,000	7,000	6,308	(692)
Animal Population Control Fund	800	800	2,426	1,626
Library	37,000	37,000	35,352	(1,648)
Classified Land	5,000	5,000	-	(5,000)
Engineering Fees	20,000	20,000	4,596	(15,404)
Blasting Permits	1,500	1,500	120	(1,380)
Xerox	3,500	3,500	2,516	(984)
Soil and Water Conservation Fund	600	600	1,232	632
Education Fee Assessment	200	200	103	(97)
PA CIP Funding	-	-	1,090	1,090
Ambulance Service	105,000	105,000	-	(105,000)
Total licenses, fees and charges	672,050	672,050	430,935	(241,115)
INTERGOVERNMENTAL REVENUES				
State of Connecticut:				
Education Equalization Grant	6,272,351	6,272,351	6,584,897	312,546
Educational Transportation	76,442	76,442	84,329	7,887
Telecommunications Pers.	43,772	43,772	42,609	(1,163)
PILOT - State Property	16,556	16,556	15,565	(991)
Manufacturers PILOT Grant	1,000	1,000	2,469	1,469
Totally Disabled Grant	900	900	715	(185)
Tax Relief - Additional Veterans Grant	2,000	2,000	2,097	97
Boat Registrations	3,280	3,280	3,280	-
Civil Preparedness	2,000	2,000	1,737	(263)
Miscellaneous State Grants	5,000	5,000	2,255	(2,745)
Town Aid Road Fund	119,441	119,441	119,856	415
Mashantucket Pequot Grant	50,362	50,362	52,650	2,288
Property Tax Relief Grant	23,000	23,000	29,293	6,293
New Property Tax Relief	1,648	1,648	-	(1,648)
Special Education Excess Cost	9,086	9,086	-	(9,086)
CRRRA	-	-	126,434	126,434
Total intergovernmental revenues	6,626,838	6,626,838	7,068,186	441,348

(Continued)

TOWN OF HEBRON, CONNECTICUT

GENERAL FUND REVENUES AND OTHER FINANCING SOURCES -
 BUDGETARY BASIS - BUDGET AND ACTUAL, Continued
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
INVESTMENT INCOME				
Interest on investments	250,000	250,000	195,189	(54,811)
OTHER REVENUES				
Constable Fees	14,174	14,174	7,148	(7,026)
Area Aging Grant	6,000	6,000	1,411	(4,589)
Housing Authority	4,000	4,000	-	(4,000)
Elderly Van	2,300	2,300	150	(2,150)
Fire/police fees	3,000	3,000	-	(3,000)
Fire Marshal Spec. Duty Reimb.	2,973	2,973	-	(2,973)
St. Trooper Private Duty Reimb.	-	-	7,968	7,968
Hebron Harvest Fair	26,000	26,000	27,070	1,070
Elderly Demand Respond	22,000	22,000	22,013	13
Miscellaneous	8,000	8,000	7,841	(159)
Hartford Foundation Grant	6,000	6,000	-	(6,000)
Colchester Intermun. Agr.	20,050	20,050	20,500	450
RHAM	-	-	253,057	253,057
Total other revenues	114,497	114,497	347,158	232,661
Total revenues	29,917,501	29,917,501	30,514,668	597,167
OTHER FINANCING SOURCES				
Transfers in:				
Sewer Assessment	480,000	480,000	480,000	-
WPCA Reimbursement	10,000	10,000	10,000	-
Hebron Park	40,000	40,000	40,000	-
Debt Management	600,000	600,000	600,000	-
Total other financing sources	1,130,000	1,130,000	1,130,000	-
Total	\$ 31,047,501	\$ 31,047,501	\$ 31,644,668	\$ 597,167

TOWN OF HEBRON, CONNECTICUT

GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
 BUDGETARY BASIS - BUDGET AND ACTUAL
 For the Year Ended June 30, 2008

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
GENERAL GOVERNMENT				
Payroll:				
Clerical	\$ 336,868	\$ 331,300	\$ 331,300	\$ -
Administration	588,068	594,690	594,690	-
Health and Welfare	87,123	85,793	85,648	145
Public Safety	82,960	78,062	78,061	1
Library	124,954	123,954	123,954	-
Recreation	57,098	57,374	57,374	-
Public Works	569,317	551,938	551,937	1
Elected Officials	47,835	47,835	47,835	-
Contractual Commitments	10,820	4,632	4,632	-
Total payroll	1,905,043	1,875,578	1,875,431	147
Selectmen's Office	44,525	42,955	42,204	751
Central Services	45,500	45,500	40,620	4,880
Legal	25,000	81,125	81,033	92
Central Computer Services	20,000	15,065	14,839	226
Town Buildings	62,050	55,020	54,963	57
Boards and Commissions	900	900	575	325
Board of Finance	34,000	34,000	33,955	45
Financial Administrator	11,155	7,555	7,150	405
Tax Collector	18,220	21,732	21,640	92
Assessor	42,844	42,844	40,462	2,382
Board of Tax Review	450	450	115	335
Town Clerk's Office	39,600	32,600	31,021	1,579
Registrar of Voters	37,484	38,559	38,428	131
Total	381,728	418,305	407,005	11,300
Total general government	2,286,771	2,293,883	2,282,436	11,447
PUBLIC SAFETY				
Police Administration	300,344	268,134	265,231	2,903
Fire Administration	331,785	332,215	319,313	12,902
Fire Marshal	36,348	36,348	33,230	3,118
Burning Official	1,901	2,003	2,003	-
Emergency Management	10,392	7,042	6,154	888
Animal Control	31,177	31,177	30,311	866
Ambulance Service	90,878	90,878	-	90,878
Total public safety	802,825	767,797	656,242	111,555

(Continued)

TOWN OF HEBRON, CONNECTICUT

GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
 BUDGETARY BASIS - BUDGET AND ACTUAL, Continued
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
CIVIC AND HUMAN SERVICE				
Community Agency Donations	108,500	108,500	108,500	-
Regional Health District Assessment	71,750	71,750	71,744	6
Library	217,023	217,023	207,733	9,290
Van - Disabled	72,800	68,431	55,661	12,770
Senior Center	53,492	53,492	48,727	4,765
Probate Court	1,650	1,852	1,852	-
St. Peter's Lease	800	800	750	50
Recreation Commission	2,350	2,350	2,177	173
Recreation Programs	80,583	80,583	66,275	14,308
Tricentennial	3,350	3,350	2,181	1,169
Total civic and human service	612,298	608,131	565,600	42,531
PLANNING AND LAND USE				
Economic Development	4,100	4,100	3,500	600
Planning and Development	107,178	115,138	114,299	839
Total planning and land use	111,278	119,238	117,799	1,439
PUBLIC WORKS				
Highways and Grounds Administration	236,335	253,208	253,204	4
Town Yard and Garage	39,158	39,158	38,546	612
Street Services	463,865	463,865	459,334	4,531
Solid Waste, Recycling, Bulky	225,932	225,932	209,451	16,481
Total public works	965,290	982,163	960,535	21,628
SEWER FEES				
Town Property User Fee	8,640	8,640	8,410	230
Total Town sewer fees	8,640	8,640	8,410	230
INSURANCE AND BENEFITS				
Insurance	119,400	166,877	166,874	3
Employee Benefits	797,444	797,444	764,438	33,006
Total insurance and benefits	916,844	964,321	931,312	33,009
Total Town	5,703,946	5,744,173	5,522,334	221,839

(Continued)

TOWN OF HEBRON, CONNECTICUT

GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
 BUDGETARY BASIS - BUDGET AND ACTUAL, Continued
 For the Year Ended June 30, 2008

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
DEBT SERVICE				
Town	282,670	282,670	282,570	100
School	608,988	556,988	556,988	-
Sewers	671,218	682,145	682,144	1
Total debt service	1,562,876	1,521,803	1,521,702	101
EDUCATION				
RHAM Assessment	11,752,250	11,752,250	11,752,250	-
HES Education	11,007,090	11,007,090	10,972,988	34,102
Total education	22,759,340	22,759,340	22,725,238	34,102
TRANSFERS TO OTHER FUNDS				
Land Acquisition Fund	226,200	226,200	226,200	-
Capital Improvement Fund	773,000	773,000	773,000	-
Contribution to Capital Non-Recurring Fund	22,139	22,985	22,139	846
Total transfers to other funds	1,021,339	1,022,185	1,021,339	846
TOTAL	\$ 31,047,501	\$ 31,047,501	\$ 30,790,613	\$ 256,888

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Nonmajor Governmental Funds

Nonmajor Governmental Funds

Special Revenue Funds

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

Hebron Park Fund - is used to account for revenue from the cell tower antenna.

Miscellaneous Grants Fund - is used to account for grants relating to various activities.

WPCA Sewer Operations Fund - is used to account for the operations of the WPCA.

Small Cities Grant Fund - is used to account for U.S. Housing and Urban Development grants relating to the Community Development Block Grants.

Marian Celio Angel Fund - is used to account for donations for seniors who have a hardship and need help.

Land Acquisition Fund - is used to account for funds to purchase open space.

Douglass Library Fund - is used to account for small donations made to benefit the Library.

Recreation Fund - is used to account for program revenues and expenditures.

Historic Records Preservation Fund - is used to account for funds related to fees collected by the Town Clerk for historic records preservation.

Cafeteria Fund - is used to account for the operations of the school lunch program.

EMS Fund - is used to account for the operations of the ambulance services.

Tri-Centennial Commission Fund - is used to account for a Townwide celebration for the 300th anniversary of Hebron's establishment in 1708.

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 Town's programs.

Cemetery Fund - is used to account for funds donated for the upkeep of various cemeteries in Town.

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TOWN OF HEBRON, CONNECTICUT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2008

	Special Revenue				
	Hebron Park	Miscellaneous Grants	WPCA Sewer Operation	Small Cities Grant	Marian Celio Angel
ASSETS					
Cash and cash equivalents	\$ 19,386	\$ -	\$ 196,711	\$ 29,232	\$ 13,373
Receivables:					
Assessments and user fees	-	-	25,358	-	-
Inventories	-	-	-	-	-
Due from others	-	-	88,542	-	-
Total assets	\$ 19,386	\$ -	\$ 310,611	\$ 29,232	\$ 13,373
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 807	\$ -	\$ 21,574	\$ -	\$ -
Unearned revenue	-	-	13,790	29,232	-
Due to others	3,960	2,347	-	-	-
Total liabilities	4,767	2,347	35,364	29,232	-
FUND BALANCES (DEFICITS)					
Reserved for:					
Encumbrances	-	-	54,336	-	-
Inventories	-	-	-	-	-
Permanent fund	-	-	-	-	-
Unreserved	14,619	(2,347)	220,911	-	13,373
Total fund balances (deficits)	14,619	(2,347)	275,247	-	13,373
Total liabilities and fund balances (deficits)	\$ 19,386	\$ -	\$ 310,611	\$ 29,232	\$ 13,373

Special Revenue							Permanent Fund	
Land Acquisition	Douglass Library	Recreation	Historic Records Preservation	Cafeteria Fund	EMS Fund	Tri-Centennial Commision Fund	Cemetery Fund	Totals
\$ 604,211	\$ 20,274	\$ 155,438	\$ 1,685	\$ 41,444	\$ 138,274	\$ 24,150	\$ 10,860	\$ 1,255,038
-	-	-	-	-	-	-	-	25,358
-	-	-	-	3,059	-	-	-	3,059
-	-	14,036	4,967	-	-	-	-	107,545
\$ 604,211	\$ 20,274	\$ 169,474	\$ 6,652	\$ 44,503	\$ 138,274	\$ 24,150	\$ 10,860	\$ 1,391,000
\$ -	\$ 271	\$ 2,877	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,529
-	-	72,301	-	-	-	-	-	115,323
5,927	-	-	-	-	90,993	465	-	103,692
5,927	271	75,178	-	-	90,993	465	-	244,544
-	-	-	-	-	-	-	-	54,336
-	-	-	-	3,059	-	-	-	3,059
-	-	-	-	-	-	-	10,860	10,860
598,284	20,003	94,296	6,652	41,444	47,281	23,685	-	1,078,201
598,284	20,003	94,296	6,652	44,503	47,281	23,685	10,860	1,146,456
\$ 604,211	\$ 20,274	\$ 169,474	\$ 6,652	\$ 44,503	\$ 138,274	\$ 24,150	\$ 10,860	\$ 1,391,000

TOWN OF HEBRON, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES (DEFICITS)

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2008

	Special Revenue				
	Hebron Park	Miscellaneous Grants	WPCA Sewer Operating	Small Cities Grant	Marian Celio Angel
REVENUES					
Intergovernmental	\$ -	\$ 43,321	\$ -	\$ -	\$ -
Investment income	-	-	12,384	-	582
Charges for services	61,239	-	306,588	-	-
Other income	-	-	-	-	-
Total revenues	61,239	43,321	318,972	-	582
EXPENDITURES					
Public safety	-	-	-	-	-
Civic and Human Service	22,100	43,321	-	-	-
Planning and land use	-	-	-	-	-
Sewer fees	-	-	304,119	-	-
Education	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	22,100	43,321	304,119	-	-
Revenues over (under) expenditures	39,139	-	14,853	-	582
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	(40,000)	-	(10,000)	-	-
Total other financing sources (uses)	(40,000)	-	(10,000)	-	-
Excess (deficiency) in revenues over expenditures and other financing sources (uses)	(861)	-	4,853	-	582
FUND BALANCES (DEFICITS), beginning of year	15,480	(2,347)	270,394	-	12,791
FUND BALANCES (DEFICITS), end of year	\$ 14,619	\$ (2,347)	\$ 275,247	\$ -	\$ 13,373

Special Revenue							Permanent Fund	
Land Acquisition	Douglass Library	Recreation	Historic Records Preservation	Cafeteria Fund	EMS Fund	Tri-Centennial Commission Fund	Cemetery Fund	Totals
\$ -	\$ -	\$ -	\$ -	\$ 35,969	\$ -	\$ -	\$ -	\$ 79,290
24,974	-	-	-	-	-	-	428	38,368
-	935	509,707	10,962	248,166	121,377	-	-	1,258,974
-	3,199	-	-	-	-	19,024	-	22,223
24,974	4,134	509,707	10,962	284,135	121,377	19,024	428	1,398,855
-	-	-	-	-	-	-	-	-
-	-	452,001	-	-	82,759	23,311	-	623,492
-	-	-	9,277	-	-	-	-	9,277
-	-	-	-	-	-	-	-	304,119
-	2,358	-	-	265,856	-	-	-	268,214
-	-	-	-	-	-	-	-	-
-	2,358	452,001	9,277	265,856	82,759	23,311	-	1,205,102
24,974	1,776	57,706	1,685	18,279	38,618	(4,287)	428	193,753
226,200	-	-	-	-	-	-	-	226,200
-	-	-	-	-	-	-	-	(50,000)
226,200	-	-	-	-	-	-	-	176,200
251,174	1,776	57,706	1,685	18,279	38,618	(4,287)	428	369,953
347,110	18,227	36,590	4,967	26,224	8,663	27,972	10,432	776,503
\$ 598,284	\$ 20,003	\$ 94,296	\$ 6,652	\$ 44,503	\$ 47,281	\$ 23,685	\$ 10,860	\$ 1,146,456

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Agency Funds

Agency Funds

- i. **Agency Funds** - utilize the accrual basis of accounting. Agency funds are custodial in nature (assets equal liabilities) and are used to account for senior activities; performance bonds and student activities. The Town's Agency Funds are listed below:

Senior Center

Performance Bond

Studies Activities

TOWN OF HEBRON, CONNECTICUT

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS

For the Year Ended June 30, 2008

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
SCHOOL ACTIVITY FUND				
Assets:				
Cash and cash equivalents	\$ 40,145	\$ 132,075	\$ 145,903	\$ 26,317
Liabilities:				
Amounts held for others	\$ 40,145	\$ 132,075	\$ 145,903	\$ 26,317
PERFORMANCE BOND				
Assets:				
Cash and cash equivalents	\$ 41,648	\$ 2,679	\$ -	\$ 44,327
Liabilities:				
Amounts held for others	\$ 41,648	\$ 2,679	\$ -	\$ 44,327
SENIOR CENTER				
Assets:				
Cash and cash equivalents	\$ 8,752	\$ 28,728	\$ 16,021	\$ 21,459
Liabilities:				
Due to others	\$ 8,752	\$ 28,728	\$ 16,021	\$ 21,459
TOTAL AGENCY FUNDS				
Assets:				
Cash and cash equivalents	\$ 90,545	\$ 163,482	\$ 161,924	\$ 92,103
Liabilities:				
Amounts held for others	\$ 90,545	\$ 163,482	\$ 161,924	\$ 92,103

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TOWN OF HEBRON, CONNECTICUT

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS -
SCHEDULE BY CATEGORY - HISTORICAL COST

June 30, 2008

Governmental funds capital assets:

Land	\$ 9,610,993
Construction in progress	2,320,927
Buildings and improvements	24,923,321
Furniture and equipment	7,515,116
Infrastructure	33,784,269
Total	<u>\$ 78,154,626</u>

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Other Schedule

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TOWN OF HEBRON, CONNECTICUT

SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING

For the Year Ended June 30, 2008

Grand List Year	Balance Uncollected July 1, 2007	Current Levy	Lawful Corrections		Transfers to Suspense	Balance to be Collected
			Additions	Deletions		
1990	\$ 10,812				\$ 10,812	-
1991	10,819	-	-	-	-	10,819
1992	10,641	-	-	-	-	10,641
1993	5,316	-	-	-	-	5,316
1994	1,487	-	-	-	-	1,487
1995	6,715	-	-	-	-	6,715
1996	6,819	-	-	-	-	6,819
1997	6,819	-	-	-	-	6,819
1998	6,957	-	-	-	-	6,957
1999	10,221	-	-	-	-	10,221
2000	13,757	-	-	-	-	13,757
2001	16,601	-	-	83	-	16,518
2002	20,095	-	-	91	-	20,004
2003	22,523	-	-	111	55	22,357
2004	56,546	-	425	278	5,478	51,215
2005	199,573	-	1,167	4,445	10,123	186,172
2006	-	22,354,646	108,855	56,960	128	22,406,413
	\$ 405,701	\$ 22,354,646	\$ 110,447	\$ 61,968	\$ 26,596	22,782,230

Collections				Balance Uncollected June 30, 2008	Refund Balance June 30, 2008	Taxes Receivable June 30, 2008
Taxes	Interest	Liens and Fees	Total			
				\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	10,819	-	10,819
-	-	-	-	10,641	-	10,641
-	-	-	-	5,316	-	5,316
-	-	-	-	1,487	-	1,487
-	-	-	-	6,715	-	6,715
-	-	-	-	6,819	-	6,819
-	-	-	-	6,819	-	6,819
-	-	-	-	6,957	-	6,957
-	-	-	-	10,221	-	10,221
-	-	-	-	13,757	-	13,757
-	10	-	10	16,518	83	16,601
495	140	29	664	19,509	-	19,509
7,736	2,418	49	10,203	14,621	-	14,621
23,253	3,854	231	27,338	27,962	-	27,962
109,353	22,605	1,653	133,611	76,819	215	77,034
22,115,292	55,898	8,401	22,179,591	291,121	10,868	301,989
\$ 22,256,129	\$ 84,925	\$ 10,363	\$ 22,351,417	\$ 526,101	\$ 11,166	\$ 537,267

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Statistical Section

This part of the Town of Hebron, Connecticut's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

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Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time. 63

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax. 72

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future. 76

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place. 79

Operating Information

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TOWN OF HEBRON, CONNECTICUT

Net Assets By Component

Last Five Fiscal Years

(accrual basis of accounting)

	Fiscal Year				
	2004	2005	2006	2007	2008
Governmental Activities:					
Invested in capital assets, net of related debt	\$ 20,003,688	\$ 22,707,909	\$ 25,359,165	\$ 44,095,965	\$ 46,007,316
Restricted	3,826	10,451	10,160	10,432	10,860
Unrestricted	10,227,718	9,106,078	7,659,232	7,905,728	7,648,658
Total governmental activities, net assets	\$ 30,235,232	\$ 31,824,438	\$ 33,028,557	\$ 52,012,125	\$ 53,666,834

GASB Statement No. 34 Implemented
in Fiscal Year 2003

* Phased in infrastructure provision of GASB No. 34.

TOWN OF HEBRON, CONNECTICUT

Changes In Net Assets

Last Five Fiscal Years

(accrual basis of accounting)

	Fiscal Year				
	2004	2005	2006	2007	2008
Expenses:					
Governmental activities:					
General government	\$ 2,259,507	\$ 3,204,086	\$ 3,034,214	\$ 3,387,354	\$ 3,634,827
Public safety	1,194,861	595,449	1,106,363	1,025,330	430,714
Public works	983,186	1,195,059	1,182,723	1,415,397	2,052,382
Civic and human service	909,621	947,381	1,088,213	1,306,503	1,188,062
Planning and land use	195,955	124,598	141,343	168,871	75,869
Education	18,266,488	19,380,264	21,179,900	22,300,802	24,006,912
Sewer fees	289,876	263,122	399,457	387,373	270,891
Interest on long-term debt	513,406	331,254	320,479	489,084	360,099
Total governmental activities expenses	24,612,900	26,041,213	28,452,692	30,480,714	32,019,756
Program revenue:					
Governmental activities:					
Charges for services:					
General government	702,880	757,664	739,841	578,297	694,680
Public safety	145,052	130,362	158,018	18,999	23,822
Public works	368,740	391,648	423,401	442,088	393,785
Civic and human service	417,296	424,401	469,445	702,997	750,773
Planning and land use	56,569	50,238	39,977	57,494	41,006
Sewer fees	442,549	88,690	113,019	59,497	298,909
Education	54,456	20,699	22,421	233,331	253,016
Operating grants and contributions:					
General government	28,497	25,425	27,811	35,542	35,969
Public safety	401,851	5,882	1,725	15,597	1,737
Public works	-	-	50,000	-	-
Civic and human service	42,013	46,313	51,585	43,711	45,744
Planning and land use	-	50,020	-	-	-
Education	5,562,522	5,864,425	5,721,448	5,761,297	6,669,226
Capital grants and contributions:					
General government	-	836,000	-	-	-
Public safety	566,772	139,300	157,635	168,934	630,374
Public works	48,560	77,037	679,819	221,346	119,856
Civic and human service	12,000	-	-	-	-
Education	97,262	-	3,200	-	-
Total governmental activities program revenue	8,947,019	8,908,104	8,659,345	8,339,130	9,958,897

	Fiscal Year				
	2004	2005	2006	2007	2008
Net (expense) revenue:					
Governmental activities	(15,665,881)	(17,133,109)	(19,793,347)	(22,141,584)	(22,060,859)
General revenues and other changes in net assets:					
Governmental activities:					
Property taxes	16,694,553	17,854,964	20,118,860	21,457,967	22,310,176
Grants and contributions not restricted to specific programs	570,579	670,633	540,871	895,606	1,051,342
Unrestricted investment earnings	102,932	196,718	337,735	488,997	354,050
Total governmental activities - general revenue	17,368,064	18,722,315	20,997,466	22,842,570	23,715,568
Changes in net assets:					
Governmental activities	\$ 1,702,183	\$ 1,589,206	\$ 1,204,119	\$ 700,986	\$ 1,654,709

TOWN OF HEBRON, CONNECTICUT

Program Revenues by Function/Program

Last Five Fiscal Years*

(accrual basis of accounting)

Function / Program	Fiscal Year				
	2004	2005	2006	2007	2008
Governmental activities:					
General government	\$ 731,377	\$ 1,619,089	\$ 767,652	\$ 613,839	\$ 730,649
Public safety	1,113,675	275,544	317,378	203,530	655,933
Civic and human service	471,309	470,714	521,030	746,708	796,517
Planning and land use	56,569	100,258	39,977	57,494	41,006
Public works	417,300	468,685	1,153,220	663,434	513,641
Sewer fees	442,549	88,690	113,019	59,497	298,909
Education	5,714,240	5,885,124	5,747,069	5,994,628	6,922,242
Total governmental activities	\$ 8,947,019	\$ 8,908,104	\$ 8,659,345	\$ 8,339,130	\$ 9,958,897

GASB Statement No. 34 implemented in fiscal year 2003.

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TOWN OF HEBRON, CONNECTICUT

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year			
	1999	2000	2001	2002
General Fund:				
Reserved	\$ -	\$ -	\$ -	\$ -
Designated	470,785	686,780	534,165	287,417
Unreserved	2,354,881	2,337,768	2,597,292	2,505,442
Total General Fund	2,825,666	3,024,548	3,131,457	2,792,859
All Other Governmental Funds:				
Reserved	n/a	n/a	n/a	n/a
Unreserved, reported in:				
Special revenue funds	n/a	n/a	n/a	n/a
Debt service funds	n/a	n/a	n/a	n/a
Capital projects funds	n/a	n/a	n/a	n/a
Total all other government funds	\$ -	\$ -	\$ -	\$ -

n/a - Information not available.

Fiscal Year					
2003	2004	2005	2006	2007	2008
\$ 62,330	\$ 52,535	\$ 27,364	\$ 53,327	\$ 158,472	\$ 242,758
-	-	-	-	-	-
2,438,320	3,346,590	3,271,636	3,720,080	2,597,544	3,611,443
2,500,650	3,399,125	3,299,000	3,773,407	2,756,016	3,854,201
\$ 13,858	\$ 13,455	\$ 23,876	\$ 328,790	\$ 17,037	\$ 68,255
2,107,440	2,260,857	1,458,181	979,435	1,119,956	1,254,706
1,374,730	998,709	1,296,856	1,309,526	1,973,359	1,420,506
1,472,284	973,022	528,468	(317,989)	718,858	(158,879)
\$ 4,968,312	\$ 4,246,043	\$ 3,307,381	\$ 2,299,762	\$ 3,829,210	\$ 2,584,588

TOWN OF HEBRON, CONNECTICUT

Changes In Fund Balances, General Fund Last Ten Fiscal Years (modified accrual basis of accounting)

	Fiscal Year			
	1999	2000	2001	2002
Revenues:				
Property taxes, interest and liens, net	\$ 11,341,197	\$ 12,119,887	\$ 13,279,177	\$ 14,086,868
Intergovernmental	5,880,584	6,034,294	5,886,108	5,879,408
Charges for services	412,206	360,264	353,497	800,582
Interest and dividends	210,686	309,130	339,521	158,370
Other	30,085	27,943	53,838	96,801
Total revenues	17,874,758	18,851,518	19,912,141	21,022,029
Expenditures:				
General Government	1,933,507	2,077,609	2,180,236	1,761,357
Public Safety	393,285	404,889	436,003	581,468
Public Works	684,255	717,577	776,494	1,212,304
Recreation, Library, Health and welfare	287,948	308,200	350,572	637,915
Education	12,345,030	13,084,437	13,655,406	14,095,433
Debt service:				
Principal	1,423,030	1,629,533	2,037,789	1,857,885
Interest	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	17,067,055	18,222,245	19,436,500	20,146,362
Excess of revenues (under) expenditures	807,703	629,273	475,641	875,667
Other financing sources (uses):				
Transfers in	433,940	489,000	492,685	575,753
Transfers out	-	-	-	-
Issuance of long-term debt	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Capital leases	-	-	-	-
Total other financing sources (uses)	433,940	489,000	492,685	575,753
Net changes in fund balance	\$ 1,241,643	\$ 1,118,273	\$ 968,326	\$ 1,451,420
Debt service as a percentage of noncapital expenditures	9.1%	9.8%	11.7%	10.2%

Fiscal Year						
2003	2004	2005	2006	2007	2008	
\$ 15,515,740	\$ 17,221,736	\$ 18,153,603	\$ 20,016,475	\$ 21,310,125	\$ 22,473,200	
5,746,164	5,673,008	6,089,563	6,694,079	6,776,104	7,967,184	
691,481	809,934	755,233	766,632	538,062	430,935	
80,988	62,780	118,258	253,272	279,337	195,189	
348,896	111,787	66,087	220,358	325,535	347,158	
22,383,269	23,879,245	25,182,744	27,950,816	29,229,163	31,413,666	
2,020,975	2,747,131	2,883,601	2,879,816	3,043,270	3,182,595	
620,773	603,779	566,611	665,976	559,211	629,060	
1,406,689	814,819	922,383	883,238	853,377	886,391	
670,083	454,255	454,255	502,302	539,306	666,092	
15,181,367	17,284,521	18,643,775	20,721,940	21,795,507	23,537,458	
1,773,776	1,009,396	1,070,485	1,181,795	1,206,575	1,208,487	
-	451,459	300,333	390,682	444,027	313,214	
-	71,125	106,075	-	-	845	
21,673,663	23,436,485	24,947,518	27,225,749	28,441,273	30,424,142	
709,606	442,760	235,226	725,067	787,890	989,524	
797,639	897,000	1,264,183	1,205,000	530,000	1,130,000	
(1,861,783)	(813,397)	(1,761,796)	(1,455,660)	(2,335,281)	(1,021,339)	
-	-	5,720,000	-	-	-	
-	-	(5,663,813)	-	-	-	
-	71,125	106,025	-	-	-	
(1,064,144)	154,728	(335,401)	(250,660)	(1,805,281)	108,661	
\$ (354,538)	\$ 597,488	\$ (100,175)	\$ 474,407	\$ (1,017,391)	\$ 1,098,185	
8.9%	6.7%	5.8%	6.1%	6.2%	5.3%	

TOWN OF HEBRON, CONNECTICUT

Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Real Estate Residential Property	Personal and Motor Vehicle	Total Taxable Assessed Value	Percent Growth	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
1999	\$ 329,099,730	\$ 45,320,492	\$ 374,420,222	3.40%	29.49	\$ 534,886,031	70.00%
2000	340,054,901	48,959,674	389,014,575	3.90%	30.09	555,735,107	70.00%
2001	356,500,834	53,622,784	410,123,618	5.43%	31.21	585,890,883	70.00%
2002	366,909,231	57,758,518	424,667,749	3.55%	32.24	606,668,213	70.00%
2003	483,990,880	61,293,986	545,284,866	28.40%	27.69	778,978,380	70.00%
2004	504,730,314	64,709,497	569,439,811	4.43%	30.34	813,485,445	70.00%
2005	514,702,780	72,123,776	586,826,556	3.05%	31.48	838,323,651	70.00%
2006	526,561,760	75,816,880	602,378,640	2.65%	33.24	860,540,914	70.00%
2007	769,892,600	77,251,692	847,144,292	40.63%	26.27	1,210,206,131	70.00%
2008	779,490,760	79,318,144	858,808,904	1.38%	27.20	1,226,869,820	70.00%

Source: Town Records

TOWN OF HEBRON, CONNECTICUT

Principal Property Taxpayers Current Year and Nine Years Ago (Unaudited)

Taxpayer	2008			1999		
	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value
Blackledge Country Club Inc.	\$ 4,590,495	1	0.53%	\$ 1,648,810	3	0.44%
Connecticut Light & Power Co.	4,385,670	2	0.51%	3,095,780	1	0.83%
Footehills Farm Inc.	2,879,740	3	0.34%	323,610	10	0.09%
Village Shoppes LLC	2,117,360	4	0.25%	n/a	n/a	-
Birmingham Utilities	1,782,850	5	0.21%	n/a	n/a	-
Hebron Properties LLC	1,539,500	6	0.18%	n/a	n/a	-
B.I.S.S. Inc.	1,490,290	7	0.17%	698,380	5	0.19%
Loveland Farms LLC	1,434,230	8	0.17%	n/a	n/a	-
Blackledge East LLC	1,334,400	9	0.16%	n/a	n/a	-
Hebron Country Manor Limited	1,186,160	10	0.14%	n/a	n/a	-
Total	\$ 22,740,695		2.65%	\$ 5,766,580		1.54%

Source: Town Records

TOWN OF HEBRON, CONNECTICUT

Property Tax Levies And Collections Last Ten Fiscal Years (Unaudited)

Fiscal Year Ended June 30:	Grand List Year	Taxes Levied for the Tax Year	Collected Within the Fiscal Year of the Levy	
			Amount	Percentage of Levy
1999	1997	\$ 11,261,776	\$ 11,001,916	97.69
2000	1998	12,014,048	11,773,215	98.00
2001	1999	13,062,281	12,790,589	97.80
2002	2000	13,908,809	13,666,424	98.30
2003	2001	15,217,997	14,990,901	98.50
2004	2002	17,057,580	16,882,110	99.00
2005	2003	17,251,099	17,113,179	99.20
2006	2004	19,799,849	19,655,726	99.30
2007	2005	21,278,613	21,081,196	99.10
2008	2006	22,354,646	22,115,292	98.90

Source: Town Tax Records

Note: The above information presents the information for each period for which it is levied. A tax levy provides taxes remitted in the following year.

Collections in Subsequent Years		Total Collections to Date	
		Amount	Percentage of Levy
\$	253,041	\$ 11,254,957	99.94%
	233,876	12,007,091	99.94%
	261,471	13,052,060	99.92%
	228,629	13,895,053	99.90%
	207,986	15,198,887	99.87%
	150,310	17,032,420	99.85%
	111,522	17,224,701	99.85%
	80,653	19,736,379	99.68%
	140,837	21,222,033	99.73%
	-	22,115,292	98.93%

TOWN OF HEBRON, CONNECTICUT

Ratios of Net General Bonded Debt Outstanding by Type

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Governmental Activities			Percentage of Actual Property Value	Debt Per Capita
	General Obligation Bonds	Less Amount Available in Debt Service	Net General Bonded Debt		
1999	\$ 10,646,398	\$ 1,423,030	\$ 9,223,368	1.72%	1,137
2000	16,287,615	1,629,533	14,658,082	2.64%	1,702
2001	24,219,714	2,037,789	22,181,925	3.79%	2,534
2002	27,672,084	1,857,885	25,814,199	4.26%	2,868
2003	28,473,024	1,773,776	26,699,248	3.43%	2,958
2004	25,811,184	1,460,855	24,350,329	2.99%	2,698
2005	26,175,655	1,370,818	24,804,837	2.96%	2,742
2006	29,130,677	1,309,526	27,821,151	2.80%	3,025
2007	27,821,151	1,561,551	26,259,600	2.16%	2,855
2008	26,259,600	1,639,776	24,619,824	2.86%	2,666

Note: Details regarding the Town's outstanding debt may be found in the notes to the basic financial statements.

TOWN OF HEBRON, CONNECTICUT

Direct Governmental Activities Debt

For the Year Ended June 30, 2008

(Unaudited)

Governmental Unit	Debt Outstanding
General obligation debt	\$ 26,299,499
Less school construction grants receivable - principal portion only	<u>-</u>
Total direct debt	<u><u>\$ 26,299,499</u></u>

Source: Town Records

TOWN OF HEBRON, CONNECTICUT

COMPUTATION OF LEGAL DEBT LIMITATION

June 30, 2008

Total tax collections (including interest and lien fees) for the year ended June 30, 2008	\$ 22,473,200
-------------------------------------------------------------------------------------------	---------------

Reimbursement for revenue loss:	
Tax relief for elderly	29,293

Base	\$ 22,502,493
------	---------------

Debt limit	\$ 157,517,451
------------	----------------

Debt Limitation*	General Purpose	Schools	Sewer	Urban Renewal	Unfunded Pension Benefit Obligation
2-1/4 times base	\$ 52,880,609	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	105,761,219	-	-	-
3-3/4 times base	-	-	88,134,348	-	-
3-1/4 times base	-	-	-	76,383,102	-
3 times base	-	-	-	-	70,507,479
Total debt limitation	52,880,609	105,761,219	88,134,348	76,383,102	70,507,479
Debt as defined by statute:					
Bonds and notes payable	1,937,430	3,938,102	2,445,203	-	-
Bonds authorized but not issued, issue dates not yet established	4,494,000	8,550,940	-	-	-
Total indebtedness	6,431,430	12,489,042	2,445,203	-	-
Debt Limitation in excess of indebtedness	\$ 46,449,179	\$ 93,272,177	\$ 85,689,145	\$ 76,383,102	\$ 70,507,479

TOWN OF HEBRON, CONNECTICUT

Demographic and Economic Statistics Last Ten Fiscal Years (Unaudited)

Fiscal Year Ended June 30	Population	Personal Income	Per Capita Income	Median Age	School Enrollment	Unemployment(*) Rate
1999	8,115	\$ 75,138	\$ 30,717	36.2	1,664	2.5%
2000	8,610	n/a	n/a	36.8	1,701	2.7%
2001	8,753	n/a	n/a	37	1,725	1.6%
2002	9,000	78,150	32,550	37.5	1777	2.0%
2003	9,025	n/a	n/a	38	1839	3.3%
2004	9,025	n/a	n/a	38.5	1928	4.3%
2005	9,047	84,219	36,089	39	1959	3.6%
2006	9,198	85,730	36,797	39.5	2,019	3.9%
2007	9,238	86,827	36,797	39.5	2,089	3.9%
2008	9,232	93,027	36,797	39	2,093	4.5%

Source: Town Records

(*) Source: Connecticut Department of Labor, By Town, Not Seasonally Adjusted.

n/a - Information not available.

TOWN OF HEBRON, CONNECTICUT

Principal Employers

Current Year and Nine Years Ago

(Unaudited)

Employer	2008			1999		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
RHAM	211	1	13.6	N/A	NA	N/A
Town of Hebron	70	2	4.4	N/A	NA	N/A
Ted's Supermarket	68	3	4.3	N/A	NA	N/A
Country Carpenters	26	4	1.6	N/A	NA	N/A
Hebron Pharmacy	24	5	1.5	N/A	NA	N/A
Staff Mates	15	6	1.0	N/A	NA	N/A
Children's Discovery Center	13	7	0.8	N/A	NA	N/A
Route 85 Lumber	10	8	0.6	N/A	NA	N/A
Blackledge Country Club	10	9	0.6	N/A	NA	N/A
Fireside Supply	10	10	0.6	N/A	NA	N/A

Sources: Town Records

n/a Information not available

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TOWN OF HEBRON, CONNECTICUT

Full-Time Equivalent Town Government Employees By Functions/Programs Last Ten Fiscal Years (Unaudited)

Functions/Program	Full-Time Equivalent Employees as of June 30			
	2008	2007	2006	2005
Governmental Services:				
Town Manager	1	1	1	1
Town Clerk	2	2	2	2
Personnel	1	1	1	1
Finance	3	3	3	3
Building Safety	2	2	2	2
Planning	2	2	2	2
Facility Mgmt	1	1	1	1
Community Development	-	-	-	-
Parks and Recreation:				
General & Administrative	2	2	2	2
Recreation	1	1	1	1
Fire:				
Firefighters and Officers	2	2	2	2
Public Works:				
Administration	1	1	1	1
Street Maintenance	12	12	12	12
Water:				
Administration	1	1	1	1
Total	\$ 31	\$ 31	\$ 31	\$ 31

Source: Town Records

n/a - Information not available

Full-Time Equivalent Employees as of June 30					
2004	2003	2002	2001	2000	1999
1	1	1	1	1	1
2	2	2	2	2	2
1	1	1	1	1	1
3	3	2	2	2	2
2	2	2	2	2	2
2	2	2	2	2	2
1	1	1	1	1	1
-	-	-	-	-	-
2	2	2	2	2	2
1	1	1	1	1	1
2	2				
1	1	1	1	1	1
12	12	12	11	11	11
1	1	1	1	1	1
\$ 31	\$ 31	\$ 28	\$ 27	\$ 27	\$ 27

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of the Board of Finance
Town of Hebron, Connecticut

We have audited the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Hebron, Connecticut (the "Town") as of and for the year ended June 30, 2008, which collectively comprise the Town of Hebron, Connecticut's basic financial statements, and have issued our report thereon dated December 8, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards," issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting: In planning and performing our audit, we considered the Town of Hebron, Connecticut's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Hebron, Connecticut's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Hebron, Connecticut's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent and detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters: As part of obtaining reasonable assurance about whether the Town of Hebron, Connecticut's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under "Government Auditing Standards."

We noted certain matters that we reported to management of the Town of Hebron, Connecticut in a separate letter dated December 8, 2008.

This report is intended solely for the information and use of management, the Board of Finance of the Town of Hebron, Connecticut, state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

New Haven, Connecticut
December 8, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH THE STATE SINGLE AUDIT
ACT AND ON THE SCHEDULE OF AWARDS/EXPENDITURES OF
STATE FINANCIAL ASSISTANCE**

To the Members of the Board of Finance
Town of Hebron, Connecticut

Compliance

We have audited the compliance of the Town of Hebron, Connecticut with the types of compliance requirements described in the "Office of Policy and Management Compliance Supplement to the State Single Audit Act" that are applicable to each of its major state programs for the year ended June 30, 2008. The major state programs are identified in the summary of auditor results section of the accompanying schedule of state single audit compliance findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Town of Hebron, Connecticut's management. Our responsibility is to express an opinion on compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in "Government Auditing Standards," issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Hebron, Connecticut's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Hebron, Connecticut's compliance with those requirements.

In our opinion, the Town of Hebron, Connecticut complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the Town of Hebron, Connecticut is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but, not for

the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Hebron, Connecticut's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a state program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected by an entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Awards/Expenditures of State Financial Assistance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Hebron, Connecticut as of and for the year ended June 30, 2008, and have issued our report thereon dated December 8, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hebron, Connecticut's basic financial statements. The accompanying schedule of awards/expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Finance of the Town of Hebron, Connecticut, the Office of Policy and Management, and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

New Haven, Connecticut
December 8, 2008

TOWN OF HEBRON, CONNECTICUT

SCHEDULE OF AWARDS/EXPENDITURES OF STATE
FINANCIAL ASSISTANCE
For the Year Ended June 30, 2008

State Grantor/Pass-Through Grantor/Program Title	State Program Identification Number	State Awards/ Expenditures
Office of Policy and Management		
Property Tax-Reimbursement-Disability Exemption	11000-OPM20600-17011	\$ 715
Property Tax Relief for Veterans	11000-OPM20600-17024	2,097
Property Tax Relief for Totally Disabled	11000-OPM20600-17018	29,293
Property Tax Relief for Manufacturing, Machinery and Equipment and Commercial Vehicles	11000-OPM20600-17031	2,469
Contingency Needs	11000-OPM20100-12336	10,000
		<u>44,574</u>
Department of Education		
Child Nutrition Program	11000-SDE64370-16072	12,824
Youth Services Bureau	11000-SDE64370-17052	37,071
Youth Service Bureau Enhancement	11000-SDE64370-16201	6,250
Family Resource Centers Program	11000-SDE64370-16110	102,400
		<u>158,545</u>
Department of Transportation		
Town Aid Road Grants - Transportation fund	12001-DOT57131-17036	119,856
Alcohol Traffic Safety Grant	12062-DOT57533-22086	1,495
Alcohol Open Container Requirements	12062-DOT57513-22091	3,324
TSB Projects Account	12062-DOT57931-35304	22,013
		<u>146,688</u>
Connecticut State Library		
Historic Documents Preservation Grant	12060-CSL66094-35150	<u>7,000</u>
State Comptroller		
Boat Grant	12027-OSC15910-40211	3,280
Town Reimbursement - Tax Loss	11000-OSC15910-17004	15,565
Mashantucket Pequot/Mohegan Fund	12009-OSC15910-17005	52,650
		<u>71,495</u>
Commission on Culture and Tourism		
Historic Preservation Fund Subgrants	12060-CAT45241-21494	<u>2,800</u>
Judicial Department		
Distributions of Parking Fines	34000-JUD95162-40001	<u>2,255</u>

See Notes to Schedule.

(Continued)

TOWN OF HEBRON, CONNECTICUT

SCHEDULE OF AWARDS/EXPENDITURES OF STATE
FINANCIAL ASSISTANCE, Continued
For the Year Ended June 30, 2008

State Grantor/Pass-Through Grantor/Program Title	State Program Identification Number	State Awards/ Expenditures
Fire Prevention and Control		
Fire School Training and Education	12060-FPC36520-35180	<u>475</u>
Department of Economic and Community Development		
Small Town Economic Assistance Program	12052-ECD46200-42411	<u>630,374</u>
Total State Financial Assistance Before Exempt Programs		<u>1,064,206</u>
EXEMPT PROGRAMS		
Education Equalization	11000-SDE64370-17041	6,584,897
Transportation for School Children	11000-SDE64370-17027	84,329
School Construction Principal	13010-SDE64370-40901	31,676
Excess Cost - Student Based	11000-SDE64370-17047	<u>76,178</u>
		<u>6,777,080</u>
Total State Financial Assistance		<u>\$ 7,841,286</u>
Notes Payable to the State of Connecticut		
Clean Water Fund Notes		<u>\$ 2,527,249</u>

See Notes to Schedule.

TOWN OF HEBRON, CONNECTICUT

NOTES TO SCHEDULE OF AWARDS/EXPENDITURES OF STATE FINANCIAL ASSISTANCE For the Year Ended June 30, 2008

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Hebron, Connecticut conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies relating to the aforementioned grant programs.

Basis of Accounting

The financial statements contained in the Town of Hebron, Connecticut's basic financial statements are prepared on the modified accrual basis of accounting.

The Schedule of Awards/Expenditures of State Financial Assistance, contained in this report, is also prepared on the modified accrual basis of accounting and on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-22), certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected as awards in the awards/expenditures column of the Schedule of Awards/Expenditures of State Financial Assistance.

As a result, certain classifications of revenues and expenditures under accounting principles generally accepted in the United States of America differ from classifications utilized for the Schedule of Awards/Expenditures of State Financial Assistance.

2. LOAN PROGRAMS

In accordance with Section 23(a)(4)(F) of the regulations to the State Single Audit Act, the notes to the Schedule of Expenditures of State Financial Assistance shall include loans and loan activities. The following is a summary of the various loan program activity for the year ended June 30, 2008:

TOWN OF HEBRON, CONNECTICUT

NOTES TO SCHEDULE OF AWARDS/EXPENDITURES OF STATE FINANCIAL ASSISTANCE,
Continued
For the Year Ended June 30, 2008

Department of Environmental Protection

Clean Water Fund 21015-OTT14230-42318

Balance July 1, 2007	Issued	Retired	Balance June 30, 2008
\$3,127,346	\$ -	\$600,097	\$2,527,249

TOWN OF HEBRON, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2008

I. SUMMARY OF INDEPENDENT AUDITOR'S AUDIT RESULTS

Financial Statements

Type of auditor's report issued: unqualified.

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X No

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: unqualified.

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

TOWN OF HEBRON, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For the Year Ended June 30, 2008

- The following schedule reflects the major programs included in the state compliance audit:

State Program	State Grant Program Identification Number	State Awards/ Expenditures
Department of Education		
Family Resource Centers Program	11000-SDE64370-16110	\$ 102,400
Department of Transportation		
Town Aid Road Grants - Transportation Fund	12001-DOT57131-17036	\$ 119,856
Department of Economic and Community Development -		
Small Town Economic Assistance Program	12052-ECD46200-42411	\$ 630,374

II. FINANCIAL STATEMENT FINDINGS

- We issued reports, dated December 8, 2008, on compliance and on internal control over financial reporting based on an audit of basic financial statements performed in accordance with the standards applicable to financial audits contained in "Government Auditing Standards."
- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting indicated no matters that we consider to be significant deficiencies.

III. FINDINGS AND QUESTIONED COSTS FOR STATE FINANCIAL ASSISTANCE

A. Internal Controls Over Compliance

None reported.

B. Compliance Findings

None reported.

TOWN OF HEBRON, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For the Year Ended June 30, 2008

IV. SUMMARY OF PRIOR YEAR AUDIT FINDINGS

IC07-1. Corrected in this fiscal year.