

# *Town of Hampton, Connecticut*

State Compliance Audit

June 30, 2015

*Stephen T. Hopkins, CPA, PC*

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Auditing , Accounting , and Consulting Services

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**Town of Hampton, Connecticut**

June 30, 2015

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# Stephen T. Hopkins, CPA, PC

## Auditing, Accounting, and Consulting Services

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### Independent Auditors' Report

Board of Selectmen  
Town of Hampton, Connecticut

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Hampton, Connecticut, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Town's primary government as listed in the table of contents.

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

#### Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

As described in Note 1A to the financial statements, the financial statements do not include the financial data of entities determined to be component units. Accounting principles generally accepted in the United States of America require that the financial reporting entity consist of the primary government and its component units, organizations for which the primary government is financially accountable or 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. In addition, accounting principles generally accepted in the United State of America require the financial data for component units to be reported with the financial data of the Town's primary government unless the Town also issues financial statements for the financial reporting entity that include the financial data for its component units. The Town has not issued such reporting entity financial statements. Information regarding the assets, liabilities, net position, revenues and expenses of the discretely presented component units were not provided so therefore the financial effect of this exclusion cannot be determined.

## **Adverse Opinion on Aggregate Discretely Presented Component Units**

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units” paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of the Town of Hampton, Connecticut, as of June 30, 2015, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Unmodified Opinions**

In our opinion, the financial statements referred to previously 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 Hampton, Connecticut, as of June 30, 2015, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and the schedule of proportionate share of the net pension liability as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2016, on our consideration of the Town of Hampton, Connecticut’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Hampton, Connecticut’s internal control over financial reporting and compliance.

Stephen T. Hopkins, CPA, PC

*Stephen T. Hopkins, CPA, PC*

Scarborough, Maine  
February 25, 2016

**Town of Hampton, Connecticut**  
Management's Discussion and Analysis  
June 30, 2015

Our discussion and analysis of the Town of Hampton, Connecticut's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2015. Please read this analysis in conjunction with the basic financial statements, notes to the basic financial statements, and required supplementary information of the Town. This management discussion and analysis is being presented for the current fiscal year with a focus on the comparative analysis of the information on the governmental activities of the Town as found in the government-wide financial statements.

**Financial Highlights - Government-wide financial statements**

- The Town's total assets exceeded its total liabilities by \$9,885,618 (net position) as of the end of the current fiscal year. This compares to the prior fiscal year when total assets exceeded total liabilities by \$9,627,452 as restated. This represents a favorable increase of \$258,166 or approximately 2.68%.
- The Town's net investment in capital assets net position balance is used to account for the total capital assets of the Town reduced by the total accumulated depreciation on those assets, reduced by the total outstanding debt incurred to purchase those assets. The total net investment in capital assets net position balance of the Town was \$6,832,196 (69.11% of total net position) as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$6,459,278 (67.09% of total net position). This represents an increase of approximately 5.78% which is the result of a increase in the related debt of \$10,723, current year depreciation in the amount of \$339,460, and current year capital asset additions in the amount of \$723,101. These current year additions include expenditures for a new plow truck, fire truck renovations, current year costs relating to the installation of a new generator at town hall, work on the town hall roof and solar panels at the school, other miscellaneous capital asset purchases as well as current year paving and related costs which are classified as infrastructure and improvements asset additions.
- The Town's restricted net position is used to account for funds received with constraints imposed by grantors and contributors. This net position *cannot* be used to finance the day-to-day activities and operations of the Town. The total restricted net position balance of the Town was \$2,572,569 (26.02% of total net position) as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$2,419,118 (25.13% of total net position) as restated. This represents an increase of approximately 6.34% and is made up in part by an increase in educational activity and program funds in the amount of \$6,547 and an increase in the small cities program net position in the amount of \$128,987. The restricted educational activity and program funds balance of the Town is made up of the total restricted fund balance amounts shown in the fund financial statements less the amount of any unearned and remaining grant funds in the government-wide financial statements.
- The Town's unrestricted net position balance is the component of net position which is used to finance the day-to-day activities and operations without constraints imposed by creditors, grantors, contributors, or other rules and regulations as imposed by other governments or enabling legislation. The total unrestricted net position balance of the Town was \$480,853 (4.87% of total net position) as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$749,056 (7.78% of total net position) as restated. This represents an unfavorable decrease of approximately 35.80%. This relates mostly to the current fiscal year deficiency of revenues over expenses within the general fund which is more fully described in the fund financial statements.
- The Town's total revenues for its governmental activities were \$6,656,245 for the current fiscal. This revenue balance includes \$3,689,965 in property tax revenue, \$2,426,471 in operating grants and \$65,475 in capital grants. The amount of capital grants includes grant funds earned in relation to the town hall generator installation in the amount of \$37,440 and state local capital improvement program grant funds used for paving in the amount of \$28,035.
- The cost of the Town's governmental activities was \$6,398,079 for the current fiscal year. The amount of these costs ultimately financed by general revenues of the Town, however, was only \$3,818,744 due to a portion of these costs being paid for by individuals receiving certain benefits through charges for services in the amount of \$87,389, and through operating and capital grants received from the State (state and federal dollars) in the amount of \$2,491,946. This amounts to approximately 59.69% of the cost of these governmental activities actually being financed by general revenues of the Town. The individual breakdown of how these charges for services and operating and capital grants were received by department for the current fiscal year is shown in the Statement of activities on page 11.
- The Board of Education and the related programs of the Town received approximately \$205,258 in grant dollars from a number of sources including State grant funds and Federal pass-through grant funds to assist in a number of educational programs and projects from the school lunch program to improving basic programs. General state education cost sharing and transportation funds have not been included. These revenue amounts represent the amounts recorded by the Town in the fund financial statements. The amounts shown in the government-wide financial statements have been adjusted for unearned amounts which are recorded as unearned revenues on the Statement of net position.

**Town of Hampton, Connecticut**  
Management's Discussion and Analysis  
June 30, 2015

**Using this annual report**

This annual report consists of a series of financial statements. The government-wide financial statements consist of the Statement of net position and the Statement of activities which are shown on pages 10 and 11 and which provide information about the activities of the Town as a whole and present a longer-view of the Town's finances. The fund financial statements consist of the Balance sheet and the Statement of revenues, expenditures, and changes in fund balances which are shown on pages 12 and 14 and tell how the services of the Town were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide financial statements by providing information about the Town's most significant funds. Budget to actual information is reported in these fund financial statements for the general fund on pages 16 through 18. The fiduciary fund financial statements consist of a Statement of fiduciary net position and a Statement of changes in fiduciary net position which are shown on page 19. The fiduciary activities of the Town are those for which the Town acts solely as a trustee or agent capacity. These statements relate to agency funds for which the Town acts in a purely custodial capacity for student groups and private purpose trust funds for amounts given to the Town for specific purposes.

**Reporting the Town as a whole**

Our analysis of the Town as a whole begins on page 10 with the Statement of net position. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the current fiscal years activities?" The statement of net position and the statement of activities report information about the Town as a whole and about its activities in a way that helps answer this question. The statement of net position includes all of the assets and liabilities of the Town using the accrual basis of accounting. This basis of accounting is similar to the accounting policies and procedure utilized by most private-sector (for profit) companies. All of the current fiscal year revenues and expenses are taken into account regardless of when cash is received or paid in the statement of activities.

These two statements report the Town's net position and the changes in this net position. You can think of this net position as one way to measure the financial health and financial position of the Town. The net position balance is made up of the difference between the assets and liabilities of the Town. Over time, increases and decreases in the Town's net position is one indicator of whether its financial health is improving or deteriorating. However, you also need to consider other non-financial factors which affect the overall financial health of the Town such as changes in the property tax base, the conditions of the infrastructure of the Town, and the general economy present at the time. These two statements are divided into three different kinds of activities on the reporting level. These categories are governmental, business-type, and discretely presented component units. The Town's activities are classified solely as governmental activities and are characterized as follows:

- Governmental activities - All of the Town's basic services are reported here, including general government, public safety, public works, sanitation and waste services, health and welfare services, education, and other general and program and unclassified activities. Property tax revenues, charges for services, state and federal operating and capital grants and other funding, and other miscellaneous revenues fund most of these activities in whole or in part.

**Reporting the Town's most significant funds**

Our analysis of the Town's major funds begins on page 12 with the Balance sheet. The fund financial statements provide detailed information about the most significant funds of the Town but not a combined picture of the Town as a whole. Some of these funds are required to be established by State law or by bond covenants. In addition, the Board of Finance of the Town has the authority to establish many other funds to help control and manage money for particular purposes (such as the school lunch fund and town clerk funds) or to show that it is meeting legal responsibilities for using certain taxes, grants, or other money (such as the grant revenue received and expended for school grants). The Town uses governmental funds which are characterized as follows:

- Governmental funds - All of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end that are available for spending. These funds are reported using a current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting measures cash and all other financial assets that can readily be converted into cash. The governmental fund financial statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs and activities. The relationship between governmental activities and governmental funds is presented in a reconciliation at the bottom of the fund financials.

**Town of Hampton, Connecticut**  
Management's Discussion and Analysis  
June 30, 2015

**The Town as a trustee**

Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds are used by the Town to report assets held in a trustee or agency capacity for other groups and therefore they cannot be used to support the Town's own programs. The type of fiduciary funds for which the Town is trustee are private purpose trust funds and agency funds. Private purpose trust funds account for the assets held by the Town in a trustee capacity which were bequest to the Town to benefit the Hampton Volunteer Fire Department and the Hampton Chaplin Ambulance Corp. Only the interest earned on these funds may be expended for the benefit of these two organizations as the principal portion of the bequest must be preserved as capital as directed. Agency funds are used to report resources held by the Town in a purely custodial capacity such as student activity accounts.

**The Town as a whole - Assets, liabilities, and net position**

The information provided below represents government-wide information for the governmental activities of the Town for the current fiscal year as compared to the prior fiscal year. The current ratio compares the current assets of the Town to its current liabilities and gives an indication of the Town's ability to pay current obligations. As of the end of the current fiscal year the current ratio of the Town was 2.01 to 1 compared to the end of the prior fiscal year when the current ratio was 5.15 to 1 as restated. This current and prior fiscal year ratio is considered very strong. Another indication of the Town's ability to meet its current obligations with current assets is called its working capital. This is calculated by subtracting the current liabilities from the current assets. As of the end of the current fiscal year the Town's positive working capital balance was \$671,440. This compares to the prior fiscal year positive balance of \$1,382,018 as restated. This represents an unfavorable decrease of approximately 51.42%.

	Governmental activities		Percentage of total	
	2015	2014	2015	2014
Current assets	\$ 1,332,285	\$ 1,714,688	11.88%	16.22%
Other assets	3,040,095	2,395,993	27.11%	22.67%
Capital assets	6,842,919	6,459,278	61.01%	61.11%
Total assets	<u>11,215,299</u>	<u>10,569,959</u>	<u>100.00%</u>	<u>100.00%</u>
Current and other liabilities	660,845	332,670	49.70%	35.30%
Long-term liabilities	668,836	609,837	50.30%	64.70%
Total liabilities	<u>1,329,681</u>	<u>942,507</u>	<u>100.00%</u>	<u>100.00%</u>
Net position:				
Net investment in capital assets	6,832,196	6,459,278	69.11%	67.09%
Restricted	2,572,569	2,419,118	26.02%	25.13%
Unrestricted	480,853	749,056	4.87%	7.78%
Total net position	<u>\$ 9,885,618</u>	<u>\$ 9,627,452</u>	<u>100.00%</u>	<u>100.00%</u>
Restricted net position:				
Expendable:				
Restricted contribution funds	\$ 3,164	\$ 4,728		
Educational activity and program funds	7,292	745		
Non-principal portion of permanent funds	411	336		
Small cities program funds	<u>2,534,306</u>	<u>2,405,319</u>		
	<u>2,545,173</u>	<u>2,411,128</u>		
Non-expendable:				
Prepaid items	19,696	-		
Non-USDA inventory	1,077	1,367		
Principal portion of permanent funds	<u>6,623</u>	<u>6,623</u>		
	<u>27,396</u>	<u>7,990</u>		
	<u>\$ 2,572,569</u>	<u>\$ 2,419,118</u>		

**Town of Hampton, Connecticut**  
Management's Discussion and Analysis  
June 30, 2015

**The Town as a whole - Revenues, expenses, and changes in net position**

The information provided below represents government-wide information for the governmental activities of the Town for the current fiscal year. The revenues and expenses shown below are recorded on the accrual basis of accounting. Program revenues received by the Town specifically relating to or generated by individual departments are applied to the departmental expenditures to determine the amount and percentage of total Town expenditures actually financed by the general revenues of the Town. This amount and percentage is shown at the bottom of this schedule and can be used to give the reader an indication of how the Town's activities were financed during the current fiscal year. The expenses shown below indicates the general make-up of the Town's spending by department and as a percentage of total spending.

	Governmental activities		Percentage of total	
	2015	2014	2015	2014
<b>Program revenues</b>				
Charges for services	\$ 87,389	\$ 107,659	1.31%	1.63%
Operating grants	2,426,471	2,294,148	36.88%	34.94%
Capital grants	65,475	156,848	0.56%	2.39%
<b>General revenues</b>				
Property taxes, interest, and liens	3,689,965	3,933,645	55.44%	59.51%
State property tax relief revenues	47,409	47,339	0.71%	0.72%
Other unclassified state revenues	16,325	12,717	0.24%	0.19%
Interest income	3,212	2,983	0.05%	0.04%
Miscellaneous	319,999	14,392	4.81%	0.22%
<b>Total revenues</b>	<b>6,656,245</b>	<b>6,569,731</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Expenses</b>				
General government	897,289	472,968	14.02%	7.59%
Public safety	196,088	213,559	3.06%	3.47%
Public works	357,007	508,168	5.58%	8.34%
Sanitation and waste	108,869	107,485	1.70%	1.75%
Health and welfare	14,767	14,891	0.23%	0.24%
Education	4,251,591	4,361,440	66.45%	70.97%
Education - on behalf	275,308	275,077	4.30%	4.48%
General and program	106,956	105,073	1.67%	1.71%
Unclassified	119,861	16,767	1.87%	0.27%
Capital outlay	-	-	-	-
Depreciation				
General infrastructure	70,343	54,767	1.12%	0.89%
Debt service				
Interest	-	16,793	-	1.18%
<b>Total expenses</b>	<b>6,398,079</b>	<b>6,146,988</b>	<b>100.00%</b>	<b>100.00%</b>
 Change in net position	 258,166	 422,743		
 <b>Net position - July 1 - restated</b>	 <b>9,627,452</b>	 <b>9,204,709</b>		
 <b>Net position - June 30</b>	 <b>\$ 9,885,618</b>	 <b>\$ 9,627,452</b>		
 Expenses financed by general revenues.				
Total expenses	\$ 6,398,079	\$ 6,146,988		
Total program revenues	-2,579,335	-2,558,655		
	<b>\$ 3,818,744</b>	<b>\$ 3,588,333</b>	<b>59.69%</b>	<b>58.38%</b>



**Town of Hampton, Connecticut**  
Management's Discussion and Analysis  
June 30, 2015

**Capital assets**

The capital assets of the Town include land, land improvements, buildings, building improvements, vehicles, equipment, infrastructure and improvements thereto, and all other tangible and intangible assets which may arise that are used in operations and that have an initial useful life extending beyond a single fiscal year. Infrastructure assets are long-lived capital assets that are normally stationary in nature and can normally be preserved for a significantly greater number of years than most capital assets. The types of infrastructure assets recorded by the Town include but are not limited to improved town roads, unimproved town roads, bridges and improvements thereto. The infrastructure and improvements assets shown below include the current and prior fiscal year expenses of the Town for improvements to roads within the Town recorded at their actual historical cost or estimated historical cost when the actual costs were not available. More detailed information on the capital assets of the Town can be found in note 1K on page 25 and note 5 on page 32.

	Governmental Activities		Percentage of total	
	2015	2014	2015	2014
Land and improvements	\$ 717,185	\$ 717,185	6.00%	6.38%
Buildings and improvements	7,418,883	7,268,434	62.02%	64.67%
Vehicles	1,435,716	1,206,629	12.00%	10.74%
Equipment	382,456	382,456	3.20%	3.40%
Infrastructure and improvements	2,008,154	1,664,589	16.78%	14.81%
Total historical cost	<u>11,962,394</u>	<u>11,239,293</u>	<u>100.00%</u>	<u>10.00%</u>
Less accumulated depreciation	<u>-5,119,475</u>	<u>-4,780,015</u>		
Total capital assets (net)	<u>\$ 6,842,919</u>	<u>\$ 6,459,278</u>		

**Debt administration**

The types of long-term debt normally incurred by the town include bonds, notes, and capital leases payable and the types of other debt related liabilities or the town include accrued compensated balances (earned vacation and longevity payment balances) in accordance with the established personnel policies of the Town and Board of Education and other post employment benefit liabilities in accordance with generally accepted accounting principles. All long-term debt is incurred through the approval of the inhabitants of the Town in accordance with applicable state statutes. The applicable state debt limitations as set forth in the Connecticut General Statutes, Section 7-374 (b) and the towns outstanding balances in comparison to these limitations can be found in the schedule of debt limitations, Sub-schedule D on page 54. The comparison of the outstanding debt shown below indicates that the general make-up of the Town's different types of debt as a percentage of total debt was consistent for the current fiscal year in comparison to the prior fiscal year. The portion due within one year and after one year for outstanding payables increased due to the proceeds received from a new note payable relating to an energy efficiency upgrade project at the Hampton elementary school. More detailed information on the debt of the Town can be found in note 6 on page 32.

	Governmental Activities		Percentage of total	
	2015	2014	2015	2014
Outstanding payables:				
Portion due within one year	\$ 3,139	\$ -	0.47%	-
Portion due after one year	7,584	-	1.13%	-
Other liabilities:				
Accrued compensated balances - town	3,867	4,431	0.58%	0.72%
Accrued compensated balances - school	12,000	12,000	1.79%	1.95%
Other post employment benefits	645,385	597,957	96.03%	97.33%
Total debt	<u>\$ 671,975</u>	<u>\$ 614,388</u>	<u>100.00%</u>	<u>100.00%</u>

**Town of Hampton, Connecticut**  
Management's Discussion and Analysis  
June 30, 2015

The previous sections of this management discussion and analysis have been presented for the current fiscal year with a focus on the comparative analysis of the information on the governmental activities of the Town as found in the government-wide financial statements. Comparative financial information has not been included for the fund financial statements of the Town. The following financial highlights, however, do relate to the balances and results of the activities of the Town's individual funds as found in its fund financial statements. Detailed current year information on the Town's individual funds can be found on the Balance sheet on page 12 and the Statement of revenues, expenditures, and changes in fund balances on page 14.

**Financial highlights - Fund financial statements**

- The total assets of the Town's governmental funds exceeded the total liabilities by \$4,097,322 which represents the fund balance of these funds as of the end of the current fiscal year. This compares to the prior fiscal year when total assets exceeded total liabilities by \$3,666,453 as restated, a favorable increase of \$430,869 or approximately 11.75%. This favorable increase is due to the negative results of the general fund of (\$194,195), the positive results of the small cities program fund of \$128,987, the positive results of the capital non-recurring fund of \$25,736 and the positive results of the non-major governmental funds of \$470,341.
- The total revenues of the Town's governmental funds were \$7,155,002 for the current fiscal year. This revenue balance includes property tax revenues of \$3,721,971 and intergovernmental revenues of \$3,022,431. The amount of property tax revenues recognized by the Town decreased from \$4,015,434 in the prior fiscal year to \$3,721,971 in the current fiscal year. This decrease was due in part to a decrease in the budgeted tax revenues in the amount of \$127,994. In addition, the annual net decrease amount of the certificates of correction which are applied as a decrease to property tax revenues increased by \$7,292 in the current fiscal year as well as the annual transfers to suspense which are also applied as a decrease to property tax revenues increased by \$10,581 in the current fiscal year.
- The total expenditures of the Town's governmental funds were \$6,736,687 for the current fiscal year. This expenditure balance includes education expenditures of \$4,080,049 for elementary and secondary education programs and \$275,308 as recorded on-behalf State Department of Education payments for teachers into the State Teacher's Retirement System. Also included in this expenditure balance is \$332,982 in capital outlay expenditures including \$168,014 for a new plow truck, \$61,073 for fire truck renovations, \$37,440 for current year costs relating to the installation of a new generator at town hall, \$66,455 for work on the town hall roof as well as \$343,565 for current year paving and related infrastructure and improvements asset additions.
- The net change in fund balance (excess or deficiency of revenues over-under expenditures) for the Town's general fund was (\$194,195) for the current fiscal year. This negative change relates in part to the following selected budgetary highlights.
- The actual revenues received in the Town's general fund were (\$446,520) lower than the budget revenues for the current fiscal year which is an unfavorable variance. This "under collection" of budgeted revenues relates to a number of budgeted revenue categories. Property tax revenue was \$16,811 over the budget amount, state tax relief revenue was (\$3,455) under the budgeted amount and state other revenue was (\$443,263) under the budgeted amount which is the result of an additional appropriation in the general fund of \$450,000 for a State Steap grant which was recorded as a special revenue fund rather than within the general fund. This under collection of revenues in the current fiscal year compares to an over collection of revenues during the prior fiscal year of \$203,893 as recorded in the prior fiscal years financial statements which was a favorable variance.
- The actual program expenditures in the Town's general fund were \$716,562 lower than the budgeted expenditures for the current fiscal year which is a favorable variance. This under expenditure is mostly due to the elementary education budget which was under-expended by \$66,249 though \$58,983 of this amount was transferred to the capital non-recurring fund, debt service which was under-expended by \$161,403 which was in part approved at the annual town meeting though the remaining principal balances were approved to be paid from surplus at the end of the prior fiscal year and the public works budget which was under-expended by \$392,061 which also relates to the aforementioned State Steap grant as the expenditures will be reported as a special revenue fund rather than within the general fund. Transfers within and between departments in the amount of approximately \$53,515 were made during the current fiscal year as compared to transfers of approximately \$36,018 in the prior fiscal year. All of the budgeted line item transfers were approved by the Board of Finance as required.
- In the current fiscal year, the Town approved the use of \$183,000 of its unassigned general fund balance through two special town meetings in order to fund the costs of a new plow truck in the capital non-recurring fund in the amount of \$175,000 and to fund a portion of the costs of solar panels relating to an energy efficiency upgrade at the Hampton elementary school in the amount of \$8,000. This is in effect be the same as budgeting for a loss due to the fact that prior year accumulated balances cannot be shown as current year revenues. In the prior fiscal year, the Town approved the use of \$468,368 of its unassigned general fund balance in this general manner to pay off existing debt and \$6,500 to be transferred to the capital non-recurring fund.

**Town of Hampton, Connecticut**  
Management's Discussion and Analysis  
June 30, 2015

**Economic factors and next year's budgets and rates**

The Town believes it has steadily maintained a sufficient unrestricted net position and unassigned fund balance to sustain the governmental activities and operations for an estimated two month period of time. The Town hopes to see this trend continuing through future fiscal years. There are no currently known facts, decisions or conditions that the Town believes will significantly effect the financial position or results of the operations of the Town in the future.

**Contacting the Town's financial management**

This financial report is designed to provide a general overview of the Town's finances, comply with finance-related laws and regulations, and demonstrate the Town's commitment to public accountability. If you have questions about this report or need additional financial information, contact the Town Treasurers office or the office of the First Selectman at 164 Main Street, Hampton, Connecticut 06247.

**Town of Hampton, Connecticut**  
Statement of net position  
June 30, 2015

	Governmental activities
<b>Assets</b>	
Current assets:	
Cash	\$ 744,593
Investments	376,609
Property taxes receivable	77,573
Intergovernmental receivables	90,055
Other receivables	4,700
Tax acquired property	17,982
Inventory	1,077
Prepaid items	19,696
Total current assets	1,332,285
Capital assets	
Non-depreciable	717,185
Depreciable (net)	6,125,734
Total capital assets	6,842,919
Other assets	
Restricted cash	497,340
Restricted investments	4,715
Long-term accounts receivable	26,013
Notes receivable	2,512,027
Total other assets	3,040,095
Total Assets	11,215,299
<b>Liabilities</b>	
Accounts payable	100,787
Accrued payroll	50,748
Other liabilities	21,519
Unearned revenues	484,652
Long-term debt	
Portion due within one year	3,139
Portion due after one year	7,584
Accrued compensated balances	15,867
Other post-employment benefit liability	645,385
Total liabilities	1,329,681
<b>Net position</b>	
Net Investment in capital assets	6,832,196
Restricted	
Expendable	2,545,173
Non-expendable	27,396
Unrestricted	480,853
Total net position	\$ 9,885,618

See the accompanying notes to the basic financial statements.



**Town of Hampton, Connecticut**  
Balance sheet - Governmental funds  
June 30, 2015

	General fund	Small cities program fund	Capital & nonrecurring fund	Non-major governmental funds	Total governmental funds
<b>Assets</b>					
Cash	\$ 1,094,885	\$ 27,729	\$ 23,564	\$ 95,755	\$ 1,241,933
Investments	-	-	376,609	4,715	381,324
Receivables (net of allowance)					
Property taxes	77,573	-	-	-	77,573
Intergovernmental	8,450	38,477	37,440	5,688	90,055
Other	4,140	-	-	560	4,700
Tax acquired property	17,982	-	-	-	17,982
Notes receivable	-	2,512,027	-	-	2,512,027
Inventory	-	-	-	1,077	1,077
Prepaid items	19,696	-	-	-	19,696
Due from other funds	42,200	-	58,982	477,283	578,465
Total assets	<u>\$ 1,264,926</u>	<u>\$ 2,578,233</u>	<u>\$ 496,595</u>	<u>\$ 585,078</u>	<u>\$ 4,924,832</u>
<b>Liabilities</b>					
Accounts payable	\$ 43,107	\$ 43,927	\$ 7,440	\$ 6,313	\$ 100,787
Accrued payroll	43,523	-	-	7,225	50,748
Other liabilities	21,477	-	-	42	21,519
Unearned revenues	87	-	-	2,841	2,928
Due to other funds	526,918	-	8,925	42,622	578,465
Total liabilities	<u>635,112</u>	<u>43,927</u>	<u>16,365</u>	<u>59,043</u>	<u>754,447</u>
<b>Deferred inflows of resources</b>					
Unavailable revenue - property taxes	73,063	-	-	-	73,063
Total deferred inflows of resources	<u>73,063</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,063</u>
<b>Fund balances</b>					
Nonspendable	19,696	-	-	7,658	27,354
Restricted	-	2,534,306	-	500,481	3,034,787
Committed	-	-	367,205	-	367,205
Assigned	11,700	-	112,282	17,896	141,878
Unassigned	525,355	-	743	-	526,098
Total fund balances	<u>556,751</u>	<u>2,534,306</u>	<u>480,230</u>	<u>526,035</u>	<u>4,097,322</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,264,926</u>	<u>\$ 2,578,233</u>	<u>\$ 496,595</u>	<u>\$ 585,078</u>	<u>\$ 4,924,832</u>

See the accompanying notes to the basic financial statements.

**Town of Hampton, Connecticut**  
Reconciliation of Statement C to Statement A  
for all governmental funds and activities  
June 30, 2015

Fund balances of governmental funds as shown on Statement C \$ 4,097,322

Amounts reported for governmental activities in the government-wide financial statements (Statement A) are different than the amounts reported in the fund financial statements (Statement C) and must therefore be modified as follows:

1 Capital assets used in governmental activities are not financial resources and are not reported on Statement C however they are reported on Statement A and must be added in:			
Cost		11,962,394	
Less accumulated depreciation		-5,119,475	6,842,919
2 The majority of the property tax receivable long-term asset is not available to pay for current period expenditures and therefore it is reported as deferred inflows of resources on Statement C however this amount is considered earned when billed and in turn recorded as revenue on Statement A and therefore must be added back in:			73,063
3 Certain state and federal grant revenues received by the Town are recorded as revenue when the amounts are available and measurable in accordance with the modified accrual basis of accounting. In addition, Codification of Governmental Accounting and Financial Reporting Standards section 1600.114 states that in regard to the modified accrual basis of accounting, material revenues received prior to the normal time of receipt should be recorded as unearned revenue. The Town records all revenues as such that are received prior to their normal period of receipt. The government-wide financial statements record revenues on the accrual basis of accounting when they have been earned and therefore these revenue amounts are unearned on Statement A and therefore they must be subtracted out:			-481,724
4 Interfund receivable and payable balances between governmental funds are reported on Statement C but eliminated on the Statement A:			
Interfund receivables		578,465	
Interfund payables		-578,465	-
5 Long-term liabilities, are not due and payable in the current period and therefore are not reported on Statement C however they are reported on Statement A and must therefore be subtracted out:			
Notes payable		-10,723	
Accrued compensated balances		-15,867	
Other post-employment benefits liability		-645,385	-671,975
6 Delinquent interest and lien fees are recorded as revenue when received and when they become available and measurable however these amounts are recorded on Statement A due to the fact that the amounts are viewed to have been earned and therefore they must be added back in. These interest and fees apply to active tax receivable balances and do not include suspense related balances.			26,013
Net position of governmental activities as shown on Statement A			\$ 9,885,618

See the accompanying notes to the basic financial statements.

**Town of Hampton, Connecticut**  
Statement of revenues, expenditures, and changes in fund balances - Governmental funds  
For the year ended June 30, 2015

	General fund	Small cities program fund	Capital & nonrecurring fund	Non-major governmental funds	Total governmental funds
<b>Revenues</b>					
Property tax revenues	\$ 3,721,971	\$ -	\$ -	\$ -	\$ 3,721,971
Intergovernmental - education	1,356,536	-	-	205,258	1,561,794
Intergovernmental - on behalf	275,308	-	-	-	275,308
Intergovernmental - tax relief	47,409	-	-	-	47,409
Intergovernmental - other	247,063	398,277	37,440	455,140	1,137,920
Charges for services	33,093	-	705	53,591	87,389
Interest income	2,513	-	607	92	3,212
Miscellaneous	57,634	237,871	15,000	9,494	319,999
Total revenues	<u>5,741,527</u>	<u>636,148</u>	<u>53,752</u>	<u>723,575</u>	<u>7,155,002</u>
<b>Expenditures</b>					
Current:					
General government	425,427	402,230	41,017	19,968	888,642
Public safety	152,946	-	-	-	152,946
Public works	643,753	-	-	-	643,753
Sanitation and waste	108,869	-	-	-	108,869
Health and welfare	14,767	-	-	-	14,767
Education	3,820,620	-	-	259,429	4,080,049
Education - on behalf	275,308	-	-	-	275,308
General and program	106,956	-	-	-	106,956
Unclassified	14,930	104,931	-	-	119,861
Capital outlay	-	-	332,982	-	332,982
Non-cash note payable purchase	12,554	-	-	-	12,554
Debt service:					
Principle	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>5,576,130</u>	<u>507,161</u>	<u>373,999</u>	<u>279,397</u>	<u>6,736,687</u>
Excess (deficiency) of revenues over (under) expenditures	<u>165,397</u>	<u>128,987</u>	<u>-320,247</u>	<u>444,178</u>	<u>418,315</u>
Other financing sources (uses)					
Non-cash note payable proceeds	12,554	-	-	-	12,554
Transfers in	-	-	345,983	26,163	372,146
Transfers out	-372,146	-	-	-	-372,146
Total other financing sources (uses)	<u>-359,592</u>	<u>-</u>	<u>345,983</u>	<u>26,163</u>	<u>12,554</u>
Net change in fund balance	<u>-194,195</u>	<u>128,987</u>	<u>25,736</u>	<u>470,341</u>	<u>430,869</u>
Fund balance - July 1	799,649	2,405,319	460,280	22,060	3,687,308
Prior period adjustments - Note 18	-48,703	-	-5,786	33,634	-20,855
<b>Fund balance - July 1 - restated</b>	<u>750,946</u>	<u>2,405,319</u>	<u>454,494</u>	<u>55,694</u>	<u>3,666,453</u>
<b>Fund balance - June 30</b>	<u>\$ 556,751</u>	<u>\$ 2,534,306</u>	<u>\$ 480,230</u>	<u>\$ 526,035</u>	<u>\$ 4,097,322</u>

See the accompanying notes to the basic financial statements.



**Town of Hampton, Connecticut**  
Reconciliation of Statement D to Statement B  
for all governmental funds and activities  
For the year ended June 30, 2015

Net changes in governmental fund balances as shown on Statement D \$ 430,869

Amounts recorded for governmental activities in the government-wide financial statements (Statement B) are different than the amounts reported in the fund financial statements (Statement D) and therefore must be modified as follows:

1	Capital asset purchases are recorded as expenditures in Statement D and are capitalized and shown as depreciation expense over their estimated useful lives in Statement B. Therefore the following adjustments must be made:		
	Current year capital asset purchases to be capitalized	723,101	
	Current year depreciation expense on current and previous capital assets	<u>-339,460</u>	383,641
2	Property tax revenues are recognized on Statement D as described in note 1G of the notes to the financial statements however property tax revenues are recorded in the full amount of the annual levy in Statement B and therefore the current year adjustment described in note 1F must be added back in or subtracted back out:		-7,102
3	The basis of presentation and revenue recognition is different from the government-wide financial statements shown on Statement B and the fund financial statements shown on Statement D. This difference in revenue recognition policies results in certain revenue amounts being recognized in Statement D and being recorded as unearned in Statement B:		
	Prior year unearned revenue amounts to be recognized	14,973	
	Current year revenue amounts to be recorded as unearned	<u>-481,724</u>	-466,751
4	Interfund transfers between governmental funds are reported on Statement D but must be eliminated on Statement B:		
	Transfers in	372,146	
	Transfers out	<u>-372,146</u>	-
5	Payments on and changes in long-term liabilities are recorded as current year activities on Statement D however they are shown as increases or decreases in liability accounts in the government-wide financial statements and therefore must be adjusted accordingly:		
	Note payable proceeds	-12,554	
	Note payable principal repayment	1,831	
	Accrued compensated balances decrease	564	
	Other post-employment benefits liability increase	<u>-47,428</u>	-57,587
6	Estimated accounts receivable for delinquent interest and lien fees are recorded as revenue when received on Statement D and as a reduction in a recorded receivable on Statement B and therefore must not be shown as current activity:		
	Prior year recorded delinquent interest and lien receivable balance	-50,917	
	Current year recorded delinquent interest and lien receivable balance	<u>26,013</u>	<u>-24,904</u>
	Change in net position of governmental activities as shown on Statement B		<u><u>\$ 258,166</u></u>

See the accompanying notes to the basic financial statements.

**Town of Hampton, Connecticut**  
Statement of revenues, expenditures, and changes in fund balance  
Budget and actual (Budgetary basis) - General fund  
For the year ended June 30, 2015

	Original budget	Budget revisions	Final budget	Actual	Variance
<b>Revenues</b>					
Property tax revenues	\$ 3,705,160	\$ -	\$ 3,705,160	\$ 3,721,971	\$ 16,811
Intergovernmental - education	1,355,736	-	1,355,736	1,356,536	800
Intergovernmental - tax relief	50,864	-	50,864	47,409	-3,455
Intergovernmental - other	240,326	450,000	690,326	247,063	-443,263
Charges for services	34,300	-	34,300	33,093	-1,207
Interest income	2,000	-	2,000	2,513	513
Miscellaneous	74,353	-	74,353	57,634	-16,719
Total revenues	<u>5,462,739</u>	<u>450,000</u>	<u>5,912,739</u>	<u>5,466,219</u>	<u>-446,520</u>
<b>Expenditures</b>					
General government:					
Selectmen	63,098	-5,750	57,348	49,951	7,397
Tax collector	49,912	-	49,912	42,962	6,950
Board of assessment appeals	250	-	250	-	250
Town clerk	52,589	-	52,589	47,205	5,384
Town council	7,000	-4,769	2,231	1,520	711
Town treasurer	24,855	1,529	26,384	25,482	902
Town assessor	40,276	-	40,276	35,101	5,175
Town hall	17,700	-	17,700	15,272	2,428
Elections	32,892	-	32,892	24,645	8,247
Planning and zoning	27,441	-	27,441	17,873	9,568
Inland wetlands	4,889	-	4,889	3,206	1,683
Auditor and capital assets	29,000	-	29,000	28,577	423
Board of finance administration	3,000	-	3,000	1,333	1,667
Town utilities and fuel	50,200	-1,398	48,802	41,017	7,785
Employee retirement plan	6,000	1,198	7,198	7,198	-
Health insurance	77,020	-	77,020	66,749	10,271
Green energy	13,500	6,000	19,500	17,336	2,164
	<u>499,622</u>	<u>-3,190</u>	<u>496,432</u>	<u>425,427</u>	<u>71,005</u>
Public safety:					
Fire marshal	9,775	-	9,775	9,255	520
Hampton volunteer fire department	66,700	-	66,700	66,700	-
Hampton volunteer fire incentive	17,656	-	17,656	17,656	-
Ambulance services	24,000	-	24,000	24,000	-
Dispatch services	5,221	-	5,221	5,221	-
Paramedic services	1,869	-	1,869	1,869	-
Building inspector	23,468	-	23,468	22,550	918
Burning permits	200	-	200	50	150
Emergency management	1,700	-1,700	-	-	-
	<u>150,589</u>	<u>-1,700</u>	<u>148,889</u>	<u>147,301</u>	<u>1,588</u>
Animal control pound	5,607	-	5,607	5,607	-
Animal control other	1,550	-	1,550	38	1,512
	<u>7,157</u>	<u>-</u>	<u>7,157</u>	<u>5,645</u>	<u>1,512</u>

See the accompanying notes to the basic financial statements.

**Town of Hampton, Connecticut**  
Statement of revenues, expenditures, and changes in fund balance  
Budget and actual (Budgetary basis) - General fund  
For the year ended June 30, 2015

	Original budget	Budget revisions	Final budget	Actual	Variance
Public works					
Paving	\$ 220,000	\$ 447,812	\$ 667,812	\$ 297,470	\$ 370,342
Road maintenance	230,691	52,327	283,018	279,233	3,785
Fuel	41,000	-5,065	35,935	19,493	16,442
Locip grant	28,877	-	28,877	28,035	842
Tree removal	6,000	-	6,000	5,894	106
Salt storage	5,500	-	5,500	5,500	-
Safety	2,000	-145	1,855	1,719	136
Town garage maintenance	1,000	417	1,417	1,417	-
Small tools	2,000	-225	1,775	1,368	407
Signs	1,000	2,625	3,625	3,624	1
	<u>538,068</u>	<u>497,746</u>	<u>1,035,814</u>	<u>643,753</u>	<u>392,061</u>
Sanitation and waste					
Transfer station operations	37,008	-	37,008	32,590	4,418
Transfer station lease	14,363	-	14,363	14,360	3
Tipping fees	45,000	-	45,000	42,240	2,760
Waste transport	20,000	-	20,000	19,679	321
	<u>116,371</u>	<u>-</u>	<u>116,371</u>	<u>108,869</u>	<u>7,502</u>
Health and welfare					
Public nurse	1,000	-	1,000	1,000	-
Health district	7,626	-	7,626	7,626	-
Senior citizens	2,000	-	2,000	2,000	-
Elderly services provider	1,000	-	1,000	1,000	-
United services	1,304	-	1,304	1,304	-
Other services	1,887	-	1,887	1,837	50
	<u>14,817</u>	<u>-</u>	<u>14,817</u>	<u>14,767</u>	<u>50</u>
Education					
Elementary education	2,187,089	-22,688	2,164,401	2,098,152	66,249
Secondary education	1,700,849	-	1,700,849	1,700,849	-
	<u>3,887,938</u>	<u>-22,688</u>	<u>3,865,250</u>	<u>3,799,001</u>	<u>66,249</u>
General and program					
Library	30,680	-	30,680	30,680	-
Town social security	31,157	-	31,157	27,045	4,112
Insurance and bonds	40,630	-	40,630	38,825	1,805
Contingency	15,000	4,376	19,376	10,406	8,970
	<u>117,467</u>	<u>4,376</u>	<u>121,843</u>	<u>106,956</u>	<u>14,887</u>
Unclassified					
Dial a ride	9,224	-	9,224	9,224	-
Organizational dues	3,315	-	3,315	3,314	1
Probate court	615	-	615	616	-1
Memorial day parade	450	-	450	145	305
Other community services	1,631	-	1,631	1,631	-
	<u>15,235</u>	<u>-</u>	<u>15,235</u>	<u>14,930</u>	<u>305</u>

See the accompanying notes to the basic financial statements.

**Town of Hampton, Connecticut**  
Statement of revenues, expenditures, and changes in fund balance  
Budget and actual (Budgetary basis) - General fund  
For the year ended June 30, 2015

	Original budget	Budget revisions	Final budget	Actual	Variance
Debt service:					
Principal	\$ 186,760	\$ -39,232	\$ 147,528	\$ -	\$ 147,528
Interest	13,875	-	13,875	-	13,875
	<u>200,635</u>	<u>-39,232</u>	<u>161,403</u>	<u>-</u>	<u>161,403</u>
Total expenditures	<u>5,547,899</u>	<u>435,312</u>	<u>5,983,211</u>	<u>5,266,649</u>	<u>716,562</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-85,160</u>	<u>14,688</u>	<u>-70,472</u>	<u>199,570</u>	<u>270,042</u>
Other financing sources (uses)					
Use of unassigned fund balance	-	183,000	183,000	-	-183,000
Operating transfers in	-	-	-	-	-
Operating transfers out	-115,475	-197,688	-313,163	-372,146	-58,983
Total other financing sources (uses)	<u>-115,475</u>	<u>-14,688</u>	<u>-130,163</u>	<u>-372,146</u>	<u>-241,983</u>
Change in fund balance	-200,635	-	-200,635	-172,576	28,059
Current fiscal year encumbrances				11,700	
Prior fiscal year encumbrances				-33,319	
Non-budgeted State on behalf revenue				275,308	
Non-budgeted State on behalf expense				-275,308	
Non-cash note payable proceeds				12,554	
Non-cash note payable purchase				<u>-12,554</u>	
Net change in fund balance				-194,195	
<b>Fund Balance - July 1</b>				<u>750,946</u>	
<b>Fund Balance - June 30</b>				<u><u>\$ 556,751</u></u>	

See the accompanying notes to the basic financial statements.

**Town of Hampton, Connecticut**  
Statement of fiduciary net position and Statement of changes  
in fiduciary net position - Fiduciary funds  
As of and for the year ended June 30, 2014

	Private purpose trust funds	Agency funds	Total
<b>Assets:</b>			
Cash	\$ -	\$ 1,491	\$ 1,491
Investments	51,000	-	51,000
Accounts receivable	-	1,269	1,269
Due from other funds	-	-	-
Total assets	<u>\$ 51,000</u>	<u>\$ 2,760</u>	<u>\$ 53,760</u>
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ -	\$ -
Unearned revenues	-	-	-
Due to student groups	-	2,760	2,760
Due to other groups	-	-	-
Total liabilities	<u>-</u>	<u>2,760</u>	<u>2,760</u>
<b>Net position:</b>			
Restricted			
Expendable	1,000	-	1,000
Non-expendable	50,000	-	50,000
Unrestricted	-	-	-
Total net position	<u>51,000</u>	<u>-</u>	<u>51,000</u>
Total liabilities and net position	<u>\$ 51,000</u>	<u>\$ 2,760</u>	<u>\$ 53,760</u>
<b>Additions</b>			
Property tax revenues	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-
Charges for services	-	-	-
Interest income	1,000	-	1,000
Miscellaneous	-	-	-
Total additions	<u>1,000</u>	<u>-</u>	<u>1,000</u>
<b>Deductions</b>			
Salary and wages	-	-	-
Program operating costs	232	-	232
Capital expenditures	-	-	-
Total deductions	<u>232</u>	<u>-</u>	<u>232</u>
Change in net position	<u>768</u>	<u>-</u>	<u>768</u>
Net position - July 1	-	-	-
Prior period adjustment - Note 15	<u>50,232</u>	<u>-</u>	<u>50,232</u>
<b>Net position - July 1 - restated</b>	<u>50,232</u>	<u>-</u>	<u>50,232</u>
<b>Net position - June 30</b>	<u>\$ 51,000</u>	<u>\$ -</u>	<u>\$ 51,000</u>

See the accompanying notes to the basic financial statements.

**Town of Hampton, Connecticut**  
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The Town of Hampton, Connecticut (the Town) is located in the central section of Connecticut. The Town is a municipal corporation which is governed by an elected Board of Selectmen.

**Note 1 - Summary of significant accounting policies**

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting. Standards of accounting and financial reporting issued by the Financial Accounting Standards Board, Accounting Principles Board Opinions, and the Accounting Research Bulletins of the American Institute of Certified Public Accountants Committee on Accounting Procedure on or before November 30, 1989, generally are followed in the government-wide financial statements, when applicable, to the extent that those standards do not conflict with or contradict pronouncements of the GASB. The basic financial statements of the Town consist of government-wide financial statements and fund financial statements. The basis of presentation, measurement focus, and basis of accounting differ for these two types of financial statements and are described separately in Section B and C below. The other following sections represent a summary of the significant accounting policies as applied by the Town.

**A. Reporting entity**

The financial reporting entity consists of the primary government and its component units, organizations for which the primary government is financially accountable or 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. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

The Town has determined that the Hampton Volunteer Fire Department (the Department) meets the definition of a component unit due to its fiscal dependence on the Town. For a legally separate entity to be considered fiscally independent it must, among other things, have the authority to determine its budget without the primary government having the authority to approve and modify that budget. The Town approves a certain amount of money on an annual basis to be appropriated directly to the Department which funds a portion of its operations. Though the Town does not directly have the authority to approve or modify the budget of the Department, it does indirectly do this by deciding the amount that it will or will not appropriate on an annual basis. In addition, the public safety complex and the related operating, maintenance and utility costs of the building and other equipment items used by the Department may be purchased by the Town. This also creates a level of fiscal dependence due to the fact that the Department could not function in its current capacity without this assistance. In addition to the level of fiscal dependence between the Town and the Department, the Town considers the nature and significance of the relationship with the primary government as such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Town has also determined that the Fletcher Memorial Library (the Library) meets the definition of a component unit due to its fiscal dependence on the Town. For a legally separate entity to be considered fiscally independent it must, among other things, have the authority to determine its budget without the primary government having the authority to approve and modify that budget. The Town approves a certain amount of money on an annual basis to be appropriated directly to the Library which funds a portion of its operations. Though the Town does not directly have the authority to approve or modify the budget of the Library, it does indirectly do this by deciding the amount that it will or will not appropriate on an annual basis. In addition to the level of fiscal dependence between the Town and the Library, the Town considers the nature and significance of the relationship with the primary government as such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The activities of the Department and the Library should be shown on the Town's financials statements as discretely presented component units in accordance with the provisions of GASB Statement No. 14 as amended by Statement Nos. 39 and 61. Audited financial information of the Department and the Library, however, has not been included in the accompanying government-wide financial statements and therefore the independent auditors' report includes an adverse opinion on the aggregate discretely presented component units of the Town.

**Town of Hampton, Connecticut**  
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**B. Government-wide financial statements**

**1. Basis of presentation**

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements report information about the Town as a whole without displaying individual funds or fund types. These statements distinguish between the primary government as well as the governmental and business-type activities of the Town. These statements do not include information about the fiduciary activities and funds of the Town or component units which are fiduciary in nature. Fiduciary activities and funds report assets which are held by the Town in a trustee or agency capacity and which cannot be used to support the activities and programs of the Town.

The statement of net position presents the financial position of the governmental and business-type activities of the primary government of the Town and any discretely presented component units at the end of the fiscal year. This statement reports the assets, liabilities, and net position of the Town. The assets and liabilities are presented in the order of their relative liquidity. The liquidity of assets is determined by how readily they are expected to be converted into cash and whether there are restrictions in place limiting their use by the Town. The liquidity of liabilities is determined by their maturity or by when cash will be used to liquidate them. The net position balance of the Town consists of the net investment in capital assets (total capital assets net of accumulated depreciation and reduced by the total outstanding debt incurred to purchase the assets), restricted and unrestricted amounts. Restricted net position is present when constraints are imposed externally by creditors, grantors, contributors, other governments, or by law through constitutional provisions or enabling legislation. Unrestricted net position consists of all net position balances not meeting the definition of net investment in capital assets or restricted. Internal balances between individual funds within the governmental activities are eliminated in this statement to minimize the "grossing-up" of assets and liabilities. These internal balances are also known as inter-fund receivables and payables and are shown in the fund financial statements as due to and due from other funds. Any residual amounts due between the governmental and business-type activities of the Town would be shown as an internal balance on the statement of net position which would cancel out in the total column for the primary government.

The statement of activities presents the operations of the governmental and business-type activities of the primary government of the Town for the fiscal year. The operations of the Town are shown in a format which reports the net (expense) revenue of the individual functions of the Town. The purpose of this net (expense) revenue format is to report the relative financial burden of each of the Town's functions on the taxpayers. Program revenue is applied to each function based on which function generated the specific charges for services and for which functions the operating and capital grants have been received. All taxes are shown as general revenues regardless of whether they were levied for a specific purpose or function. The categories of individual functions correspond to the different departments and operations of the Town. Indirect expenses which benefit the Town as a whole are not required to be allocated among the other functions of the Town and therefore they are not allocated. Depreciation expense is allocated to the specific functions (sometimes referred to as departments) of the Town based on which function purchased or benefits from the assets. Depreciation on assets shared between two or more functions is allocated based on the percentage purchased by each function. If the benefit received from these assets shifts from the function making the purchase to another function in a material amount, the depreciation amount being charged will be shifted accordingly. Depreciation on capital assets which benefit all of the functions of the Town, such as infrastructure assets, is shown as a separate line item. Internal activity between individual funds within the governmental and business-type activities are eliminated in this statement. This internal activity is also known as transfers in and out and is shown in the fund financial statements as such. The above information relating to the government-wide financial statements basis of presentation reference both governmental and business-type activities. The Town currently does not have any business-type activities.

**2. Measurement focus and basis of accounting**

The statement of net position and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. The accrual basis of accounting would be used for both governmental and business-type activities of the primary government of the Town and any discretely presented component units. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. In other words, revenues and the related assets are recognized when they are earned and expenses and the related liabilities are recognized when they are incurred. The Town does not have an established policy relating to the use of restricted and unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Absent of an established policy which addresses this situation, accounting guidance states that it should consider that restricted amounts would be reduced first and then unrestricted amounts.

**Town of Hampton, Connecticut**  
Notes to the basic financial statements  
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**C. Fund financial statements**

**1. Basis of presentation**

The fund financial statements of the Town consist of a balance sheet with a reconciliation to the government-wide statement of net position, a statement of revenues, expenditures, and changes in fund balances with a reconciliation to the government-wide statement of activities, a budgetary comparison schedule for the general fund, and a statement of fiduciary net position and a statement of changes in fiduciary net position. These fund financial statements are designed to report additional and more detailed information about the primary government. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts which records cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with any special regulations, restrictions, or limitations which may exist. The types of funds shown for the Town are governmental funds, proprietary funds and fiduciary funds as applicable. The focus of these fund financial statements are on major funds as defined by GASB Statement No. 34. All major funds are reported in a separate column with all non-major funds being aggregated and reported in a single column.

Governmental fund reporting focuses primarily on the sources, uses, and balances of the current financial resources of the Town. The governmental funds used by the Town include the general fund, and other non-major governmental fund types such as special revenue funds, capital project funds, and permanent funds. The general use and purpose of these individual governmental fund types are as follows. The individual names of each fund within each non-major governmental fund type can be found in the accompanying combining schedules and the purpose of the fund is generally self explanatory within each title.

- a. General fund - The general fund is the main operating fund of the Town. It is used to account for and report all financial resources not accounted for and reported in another fund.
- b. Special revenue funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term proceeds of specific revenue sources establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. The specific restricted or committed revenues may be initially received in another fund and subsequently distributed to a special revenue fund, however, those amounts should not be recognized as revenue in the fund initially receiving them but rather be shown as revenue in the special revenue fund in which they will be expended for the specified purpose. The restricted or committed proceeds of the specific revenue sources should be expected to continue to make up a substantial portion of the resources flowing into the fund. Other financial resources such as investment income and transfers from other funds may also be reported within a special revenue fund as long as those resources are restricted, committed or assigned to the specified purpose of the fund.
- c. Capital project funds - Capital project funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, such as the acquisition or construction of capital facilities and other capital assets or for the accumulation of funds for these purposes.
- d. Permanent funds - Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town's programs and in effect the benefit of the Town or its citizens.

Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the programs of the Town. The fiduciary funds of the Town consist of private purpose trust funds and agency funds. Private purpose trust funds account for the assets held by the Town in a trustee capacity on behalf of the Hampton Volunteer Fire Department and the Hampton Chaplin Ambulance Corp. Only the earnings within these funds may be used to support their activities as the principal portion is nonspendable. Agency funds are used to report resources held by the Town in a purely custodial capacity. Agency funds of the Town consist of the student activity accounts located at the Board of Education.

- e. Private-purpose trust funds - All trust arrangements other than those defined as pension trust funds and investment trust funds are described as private-purpose trust funds under which the principal and income of the fund benefit individuals, private organizations, or other governments.
- f. Agency funds - Agency funds represent resources held in a purely custodial capacity for individuals, private organizations, or other governments.



**Town of Hampton, Connecticut**  
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The balance sheet is used to report information about the current financial resources (assets, deferred outflows of resources, liabilities, deferred inflows of resources and fund balances) of each major governmental fund and for all non-major governmental funds in the aggregate. The fund balance amounts within the governmental funds are segregated between nonspendable, restricted, committed, assigned and unassigned amounts. These balances are shown on the face of the balance sheet in the aggregate but are broken out into the required detail in note 1R on pages 27 and 28. An accompanying schedule is also required to be completed to reconcile the total governmental fund balance to the total net position balance of the governmental activities of the Town as shown on the government-wide statement of net position.

The statement of revenues, expenditures, and changes in fund balances is used to report information about the inflows, outflows, and balances of current financial resources of each major governmental fund and all non-major funds in the aggregate. Revenues are classified by major revenue sources while expenditures are classified by categories of individual functions corresponding to the different departments and operations of the Town. The proceeds from the issuance of long-term debt and operating transfers between individual funds are shown as other financing sources and uses. An accompanying schedule is also required to be completed to reconcile the total change in governmental fund balances to the total change in net position of the governmental activities of the Town as shown on the government-wide statement of activities.

The budgetary comparison information is required to be presented for the general fund and each major special revenue or capital project fund that has a legally adopted annual budget. This statement shows the original budget as voted on and appropriated, the changes made to each individual departmental line item within the budget, and the final budget which is compared to the actual revenue and expenditure balances to come up with the favorable or unfavorable variance numbers.

The statement of fiduciary net position shows information in regard to the assets and liabilities of the fiduciary funds of the Town which consist of private-purpose trust funds and agency funds. The statement of changes in fiduciary net position shows information in regard to the additions to, subtractions from, and net increase or decrease for the year in fiduciary fund net position.

## **2. Measurement focus and basis of accounting**

The balance sheet and the statement of revenues, expenditures, and changes in fund balances are prepared using the current financial resources measurement focus and the modified accrual basis of accounting for all governmental and fiduciary funds. Capital assets and long-term debt are not recorded as assets or liabilities on the balance sheet of the Town. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Under the modified accrual basis of accounting revenues are recognized when they become measurable and available as net current assets. Property tax revenues are recognized when they become available. Available includes those property taxes receivable which are expected to be collected within the first sixty days after the end of the current fiscal year, as applicable. Miscellaneous revenues are recorded when received because they are generally not measurable until actually received. Intergovernmental revenues are accrued, when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available. The Town generally considers intergovernmental revenues which are received within the first sixty days after the end of the current fiscal year to be both measurable and available. Expenditures are generally recognized under this basis of accounting when the related fund liability is incurred. Exceptions to this general rule include general long-term debt principal and interest which is recognized when due.

### **D. Cash and cash equivalents**

Cash and cash equivalents include amounts in demand deposit accounts as well as all highly liquid short-term investments with a maturity date within three months of the date acquired by the Town. However, the Town may classify money market accounts, certificates of deposit accounts and other higher yielding accounts as investments regardless of maturity when they are used to gain a higher interest rate in order to more accurately reflect how the Town's cash balances are being used for the benefit of the Town.

### **E. Investments**

The Town's policy is to value investments at their fair value as of the end of the fiscal year. Some of the types of investments authorized by the State of Connecticut include obligations of the United States Government, obligations fully insured or guaranteed by the government or governmental agency, the State local government investment pool (STIF account), and repurchase agreements. The Town may vote to accept investments other than those authorized by the State in situations where they have been donated to the Town.

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**F. Revenue recognition - property taxes**

The Town's property tax for the current year was levied June 26, 2014 on the grand list as of October 1, 2013, for the real, motor vehicle and personal property located in the Town at a rate of 29.73 mills. Real estate and personal property taxes were due on August 1, 2014 and January 1, 2015. Motor vehicle taxes were due on August 1, 2014. Supplemental motor vehicle taxes were due on January 1, 2015. Interest on unpaid taxes commenced 30 days after the aforementioned due dates, at 18% per annum. As described earlier, in the fund financial statements property tax revenues are recorded in the amount of the annual principal property tax assessment with an adjustment being made for the amount of principal expected to be collected within the first sixty days after the end of the current fiscal year. In the government-wide financial statements, the total current year principal assessment is recorded as revenue.

**G. Receivables & allowance for doubtful accounts**

All property tax, intergovernmental, and other receivables are reported net of any allowance for doubtful accounts. The current year fund financial statement accounts receivable balances include property tax principal amounts of \$77,573, intergovernmental amounts due on state, federal and other grant and award agreements of \$90,055 and other miscellaneous receivable amounts of \$4,700. The current year government-wide financial statements include all of the above mentioned receivable types in addition to accumulated delinquent interest and fees on the active property tax principal amounts. Delinquent interest and fees on suspense tax receivable principal balances are not included. The current year delinquent interest receivable balance is \$26,013. The Town will book an unbilled receivable in situations when a grant or contract has incurred expenditures which will be reimbursed by a funding source but which have not yet been fully received in cash for the amount incurred. The current fiscal year unbilled receivable amount included in the above mentioned intergovernmental receivable amount is \$38,477 as it relates to the small cities program and \$37,440 as it relates to a state town hall generator grant which is being account for within the capital non-recurring major fund. The current allowance for doubtful accounts in relation to the above mentioned accounts receivable balances was estimated to be \$0. The Town considers past experience with receivable balance collections and current aging report details when determining its calculation for an allowance for doubtful accounts. Receivables are only written off once it has been determined that all other methods of collection have been utilized without success.

**H. Tax acquired property**

Property which has been foreclosed on by the Town due to non-payment of taxes or other similar situations is classified as tax acquired property at the value of the original outstanding tax receivable amount. Interest and fees on the property are recorded at such time when the property is sold. The current value of the recorded tax acquired property of the town was \$17,982 as of the end of the current fiscal year.

**I. Inventories**

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used which is in accordance with the consumption method. On the fund financial statements, inventories are presented at cost on a first-in, first-out basis and are recorded as expenditures when used. The Town currently has recorded an inventory amount of \$1,077 as it relates to the school lunch program with \$1,035 representing the value of non-USDA inventory items and \$42 representing the value of USDA inventory items.

**J. Prepaid items**

Payments made to vendors for services and in certain circumstances goods that will benefit periods beyond the end of the fiscal year are recorded as prepaid expenses-expenditures using the consumption method by recording an asset for the prepaid amount and reflecting the expense-expenditure in the subsequent year (s) in which the services are consumed. Expenditures relatively minor in nature for insurance and similar services extending over more than one accounting period need not be allocated between or among accounting periods, but may be accounted for as expenditures of the period of acquisition. The Town considers relatively minor in nature generally to include aggregated similar items not exceeding \$2,500. Payments made to vendors for services and in certain circumstances goods that will only benefit periods beyond the end of the fiscal year which are related to grants and other governmental fund activities are recorded as prepaid expenses-expenditures regardless of the dollar amount.

**Town of Hampton, Connecticut**  
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**K. Capital assets**

The capital assets of the Town include land, land improvements, buildings, building improvements, vehicles, equipment, infrastructure and improvements, and all other tangible and intangible assets which may arise that are used in operations and that have an initial useful life extending beyond a single fiscal year. Infrastructure assets are long-lived capital assets that are normally stationary in nature and can normally be preserved for a significantly greater number of years than most capital assets. The types of infrastructure assets recorded by the Town include but are not limited to improved town roads, unimproved town roads, and bridges. All improvements to infrastructure and other capital assets are capitalized which add to the value or materially extend the life of the asset. All capital assets of the Town are recorded at historical cost or estimated historical cost when the actual amount is not available. The historical cost of these assets includes not only the cost of the asset but also capitalized interest charges and other direct costs associated with placing the asset into its intended location and its intended use. The Town maintains a capitalization threshold of \$5,000 for all capital assets with the exception of land purchases which are recorded regardless of amount. Donated capital assets are reported at their estimated fair value at the time of acquisition plus other direct costs associated with placing the asset into its intended location and use. Capital assets are only shown on the government-wide statement of net position.

Land and land improvements are not depreciated. All other individual capital assets of the Town are depreciated over their estimated useful lives using the straight line method. Under this method, the recorded cost of each capital asset less any estimated residual value is divided by the estimated useful life resulting in an even amount of depreciation to be taken on an annual basis. The estimated residual value is the amount that the capital asset is expected to be worth at the end of its useful life. The general estimated useful lives for specific types of capital assets are 3 - 10 years for equipment, 5 - 20 years for vehicles, 30 - 50 years for buildings and building improvements and infrastructure. Capital assets which are under construction but not yet completed are recorded as construction in progress. These capital assets will not begin to be depreciated until they are completed. Depreciation expense is allocated to the specific functions (sometimes referred to as departments) of the Town based on which function purchased or benefits from the assets. Depreciation on assets shared between two or more functions is allocated based on the percentage purchased by each function. If the benefit received from these assets shifts from the function making the purchase to another function in a material amount, the depreciation amount being charged will be shifted accordingly. Depreciation on capital assets which benefit all of the functions of the Town, such as infrastructure assets, is shown as a separate line item. Depreciation expense on capital assets is only shown on the government-wide statement of activities.

**L. Interfund receivables and payables**

On the fund financial statements, interfund receivables and payables represent the balance of activity between the different funds of the Town. These activities include but are not limited to transfers which were not physically made but need to be recorded to keep track of the individual fund balances, a portion of the annual tax commitment applicable to certain special revenue and other funds of the Town which are shown as transfers within the annual budget document approved by the inhabitants of the Town and cash receipts which may have been deposited in the cash account of one fund but which are for the use of another fund. The actual receipt of this tax revenue and other revenues is not deposited into the individual funds but rather into the general fund and accounted for as an interfund receivable. Expenditures for one fund paid for out of another fund are also included in these balances. The balance of interfund receivables and interfund payables as shown on the balance sheet must equal. These interfund balances and related activities have been eliminated in the government-wide statement of net position and the statement of activities.

**M. Accounts payable and other liabilities**

The accounts payable balance of the town is used to account for the expenses or expenditures related to goods and services received during the current fiscal year for which the related invoices have not yet been paid as of the end of the current fiscal year. Under both the accrual and modified accrual basis of accounting expenses and expenditures are recorded when they are incurred. The other liabilities balance as shown on both the government-wide and fund financial statements of \$21,519 is made up of construction related bonds which have been received but not yet fulfilled and thus returned of \$7,200, payroll withholding related amounts due of \$14,036 and other miscellaneous items of \$283.

**N. Accrued payroll**

On the government-wide and the fund financial statements, the accrued payroll balance of the town represent amounts earned for hours worked or teacher salary amounts earned prior to the end of the fiscal year which were not physically paid until after the end of the fiscal year.

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**O. Unearned revenue and Deferred inflows of resources**

On the government-wide financial statements, revenue amounts which have been received in cash but not yet earned or recognized are recorded as unearned revenue. Codification of Governmental Accounting and Financial Reporting Standards section 1600.114 states that in regard to the modified accrual basis of accounting, material revenues received prior to the normal time of receipt should be recorded as unearned revenue. On the government-wide financial statements, the current fiscal year unearned revenue balance of the governmental activities totaled \$484,652 which is made up of unearned education grant balances of \$26,584, unearned town grant balances of \$455,140, amounts paid in advance on the upcoming commitment year of \$87 and education grant balances due back to the state of \$2,841. On the fund financial statements, the current fiscal year unearned revenue balance of the governmental funds totaled \$2,928 which is made up of all of the aforementioned amounts with the exception of the unearned education and town grant balances of \$481,724 as revenues are recorded in the fund financial statements when they are both measurable and available as opposed to when they are earned. The acquisition of net position or fund balance amounts which apply to future periods will not be recognized as an inflow of resources (revenue) until that time. On the fund financial statements, property taxes receivable not expected to be received within the first 60 days after the fiscal year end (i.e. not measurable and available) are recorded as deferred inflows of resources. The current fiscal year deferred inflows of resources balance relating to these property taxes receivable is \$73,063.

**P. Long-term obligations and related costs**

Long-term debt and other long-term obligations are reported as liabilities on the governmental-wide statement of net position. Bond premiums and discounts are capitalized and amortized over the life of the bonds using the straight line method, which approximates the effective interest method. The unamortized portion is presented in the government-wide Statement of Net Position as a component of bonds payable. Bond issuance costs are reported as expenses when incurred. The governmental fund financial statements recognize bond premiums and discounts, as well as bond issuance costs, during the period incurred. 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.

**Q. Major funds - Fund financial statements only**

The focus of the governmental funds of the Town is on the major funds. The general fund of the Town must always be shown as a major fund. In addition, other governmental funds are shown as major based on the following criteria. In addition, the capital reserve special revenue fund as described in item d is the only individual governmental fund which has been classified as major.

- a. The total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, and expenditures of an individual governmental or enterprise (if present) fund are at least 10% of the corresponding totals for all funds of the governmental or enterprise (if present) fund type and
- b. The total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, and expenditures of an individual governmental or enterprise (if present) fund are at least 5% of the corresponding totals for all governmental and enterprise (if present) funds combined.
- c. Any other individual governmental or enterprise (if present) fund that the Town believes is particularly important to the financial statement users whether because of public interest, consistency, or other reasons.

For the purposes of the current fiscal year fund financial statements, the following individual governmental funds have been classified as major. A brief description of the fund and the activities reported within the fund is as follows.

- d. Small cities program fund - This fund is used to account for and report the proceeds and activity of housing rehabilitation Community Development Block Grants received from the U.S. Department of Housing and Urban Development. The purpose of these grants is to provide assistance to low to moderate income residents for addressing housing needs with a priority being placed on public health and safety code violations and to establish a permanent loan fund using the proceeds. Each resident receiving benefits under these grants is required to sign a deferred promissory note.
- e. Capital and non-recurring fund - This fund is used to account for financial resources to be used by the Town to purchase or construct capital assets or projects. The capital assets purchased through this fund are usually more costly than those purchased and accounted for within other funds, functions, and departments. The activities within this fund are financed through annual appropriations as approved as part of the annual budget and through other miscellaneous grants, revenues and transfers.

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**R. Fund balance classification policies and procedures - fund financial statements only**

The fund balance amounts of the governmental funds of the Town on the balance sheet are broken down between nonspendable, restricted, committed, assigned and unassigned. These fund balance classifications are described as follows:

- a. **Nonspendable fund balance** - Nonspendable fund balance include amounts that cannot be spent because they are either (a) not in a spendable form such as inventories or prepaid expenditures or (b) they are legally or contractually required to be maintained intact such as the principal portion of a permanent funds or private purpose trust funds. The nonspendable fund balance amounts as reported by the Town consist solely of the principal portion of its permanent funds and private purpose trust funds and a corresponding amount for the recorded amount of inventory and prepaid expenditures when applicable.
- b. **Restricted fund balances** - Restricted fund balance include amounts that are restricted to a specific purpose when the restraints are placed on the use of the resources either by (a) externally imposed creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Town to assess, levy, charge or otherwise mandate payment of resources from external sources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. The restricted fund balance amounts of the Town consist of the residual fund balance amounts at the end of the fiscal year as they relate to grants received from either State, Federal or local funding sources or donations received to be spent for specific purposes. These amounts are restricted to be expended on the items outlined within the funding agreement with the Town or for which funds are being donated and cannot be used for any other specified purposes. In addition, the Town has created a special revenue fund to account for and report the proceeds of funds collected by the town clerks office as mandated by the State of Connecticut in relation to historic document preservation fees and a town clerk discretionary fund. These mandated fees are considered a form of enabling legislation imposed by the State and therefore the funds collected by the Town are restricted to be expended based on the parameters of the enabling legislation. Other funds restricted by the Town include the balance of the small cities program income fund which relates to housing rehabilitation grants received by the Town, the non-principal portion of permanent funds and private purpose trust funds, the remaining balance within the school lunch program which is restricted to be used within the school lunch program based on the grant revenue received as well as State statutes and other funds as applicable based on the parameters of the funding source.
- c. **Committed fund balance** - Committed fund balance include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision making authority. These committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The Board of Finance is considered to be the highest level of decision making authority within the Town for determining committed fund balance amounts. The Board of Finance has the final approval for the budget amounts which are presented to the citizens of the Town for approval and in turn the establishment of the related special revenue or capital project funds. The approval of the annual town budget includes amounts characterized as specific revenue sources as a portion of either the annual tax commitment or other specific revenue sources contained and voted on within the annual budget. An example of a committed fund balance amount would relate to an approved transfer to an established special revenue fund or the capital nonrecurring fund. The residual fund balance amount within these funds at the end of the fiscal year would be classified as committed fund balance. Any subsequent change in the specific purpose or use of these committed funds would need to be approved either at the annual town meeting or a special town meeting.
- d. **Assigned fund balance** - Assigned fund balance include amounts that are constrained by the Town with the intent to be used for specific purposes, but which are neither restricted or committed. The intent to use funds for specific purposes is to be assigned by either town meeting appropriations or the Board of Finance. The First Selectman has the authority to accept funds on behalf of the Town which are specific revenue sources to be used for specific purposes and to establish special revenue or capital project funds to account and report these amounts in accordance with the direction received from the Board of Finance. Assigned special revenue and capital project funds are usually made up of small streams of specific revenue sources for specific purposes for which there is a perceived benefit to segregating and reporting the funds rather than including them within the general fund. In addition, annual budgetary encumbrances outstanding at the end of the fiscal year would be classified by the Town as assigned amounts within the general or specific special revenue or capital project funds. Subsequent fiscal year budgeted appropriations of the unassigned general fund balance would also be reported as assigned fund balance amounts of the general fund at the end of the current fiscal year.
- e. **Unassigned fund balance** - Unassigned fund balance is the residual classification for the general fund of the Town. This classification represents fund balance amounts that have not been assigned to other funds and that have not been restricted, committed or assigned to specific purposes within the general fund. In addition, individual governmental funds whose ending fund balance is negative are also classified as unassigned within the specific fund.

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The Town does not have an established policy relating to the use of unrestricted fund balance amounts as it relates to when it considers committed, assigned or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of these three unrestricted classifications could be used. Absent of an established policy which addresses this situation, accounting guidance states that it should consider that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts. In addition, restricted fund balance amounts are considered to have been spent prior to unrestricted amounts under the same circumstances. The following table is designed to provide more detailed information regarding the aggregated fund balance classifications which are included on the balance sheet.

	General fund	Small cities program fund	Capital & nonrecurring fund	Non-major governmental funds	Total governmental funds
Fund balances:					
Nonspendable:					
Prepaid items	\$ 19,696	\$ -	\$ -	\$ -	\$ 19,696
Non-USDA inventory	-	-	-	1,035	1,035
Permanent fund principal	-	-	-	6,623	6,623
	<u>19,696</u>	<u>-</u>	<u>-</u>	<u>7,658</u>	<u>27,354</u>
Restricted:					
Program income fund	-	2,534,306	-	-	2,534,306
Town grants	-	-	-	455,140	455,140
Educational grants	-	-	-	26,584	26,584
Educational programs	-	-	-	6,257	6,257
Contribution funds	-	-	-	3,164	3,164
Enabling legislation funds	-	-	-	8,925	8,925
Permanent fund non-principal amounts	-	-	-	411	411
	<u>-</u>	<u>2,534,306</u>	<u>-</u>	<u>500,481</u>	<u>3,034,787</u>
Committed:					
Capital building maintenance	-	-	61,730	-	61,730
Grange building maintenance	-	-	2,521	-	2,521
Revaluation fund	-	-	20,105	-	20,105
Open space fund	-	-	53,924	-	53,924
Land acquisition fund	-	-	113,161	-	113,161
Fire truck reserve	-	-	48,350	-	48,350
Ambulance reserve	-	-	24,000	-	24,000
General trucks and equipment	-	-	43,414	-	43,414
	<u>-</u>	<u>-</u>	<u>367,205</u>	<u>-</u>	<u>367,205</u>
Assigned:					
School capital fund	-	-	112,282	-	112,282
Town activity funds	-	-	-	12,982	12,982
Educational programs	-	-	-	4,914	4,914
Current fiscal year encumbrances	11,700	-	-	-	11,700
Unassigned fund balance approved to be utilized during the upcoming fiscal year	-	-	-	-	-
	<u>11,700</u>	<u>-</u>	<u>112,282</u>	<u>17,896</u>	<u>141,878</u>
Unassigned					
General fund	525,355	-	-	-	525,355
Unallocated balances	-	-	743	-	743
	<u>525,355</u>	<u>-</u>	<u>743</u>	<u>-</u>	<u>526,098</u>
 Total fund balances	 <u>\$ 556,751</u>	 <u>\$ 2,534,306</u>	 <u>\$ 480,230</u>	 <u>\$ 526,035</u>	 <u>\$ 4,097,322</u>

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**S. Budget**

The Town's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting (except in relation to teacher on-behalf payments made by the State which are not budgeted for and encumbrances) which is consistent with generally accepted accounting principles. In addition, the budget may call for certain amounts to be transferred or allocated to specific funds which have been set up by the Town for specific purposes. A portion of the budgeted revenues to be raised by the annual tax commitment would be considered by the Town to be a specific revenue source which would be committed to expenditure for these specified purposes. The budget would call for the revenue to be shown within the general fund and a transfer out to be shown to each of these specific funds. In accordance with the true accounting definition of a special revenue fund, specific revenue sources which in this case would be a portion of the annual tax commitment would be required to be shown as revenue of the specific fund. Therefore, on the Statement of revenues, expenditures and changes in fund balances (Statement D) property tax revenues would be shown, when applicable, for these specific special revenue funds with no transfers in or out being shown in either the general fund or the special revenue funds. On the Budget to actual statement for the general fund (Statement E) these amounts would be shown as property tax revenues for the general fund and as transfers out for the general fund in accordance with the approved budget of the Town. The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the department level within each general function of the Town. Only the Board of Finance may approve budget transfers within and between expenditure classes and individual departments in accordance with established town practices and the applicable State statutes. The bottom line budgeted revenue and expenditure amounts can only change upon approval of the inhabitants of the Town through a special town meeting. The procedures followed in establishing the budgetary data reflected in the financial statements are as follows:

- a. Early in the second half of the last fiscal year the Town's selectmen, departments, boards and commissions submitted budget requests for the year beginning July 1. The operating budgets include proposed expenditures and the means of financing them.
- b. Hearings are then held for the submitted budget requests by functions: (1) Selectmen's budget, (2) departments, (3) boards and commissions, (4) capital and nonrecurring requests and (5) Board of Education.
- c. A meeting of the inhabitants of the Town is then called for the purpose of adopting the proposed budget after public notice of the meeting had been given. The current fiscal year budget was adopted by the inhabitants of the Town on June 26, 2014.

	Revenues	Expenditures	Other financing sources (uses)	Net change in fund balance
GAAP basis - Statement D	\$ 5,741,527	\$ -5,576,130	\$ -359,592	\$ -194,195
Current fiscal year encumbrances	-	-11,700	-	-11,700
Prior fiscal year encumbrances	-	33,319	-	33,319
State on-behalf payments	-275,308	275,308	-	-
Non-cash note payable activity	-	12,554	-12,554	-
Budgetary basis - Statement E	<u>\$ 5,466,219</u>	<u>\$ 5,266,649</u>	<u>\$ -372,146</u>	<u>\$ -172,576</u>

**T. Encumbrance accounting**

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year-end. The Town of Hampton does utilize encumbrance accounting. The assignment of fund balance at June 30, 2015 was \$11,700 for the general fund as it relates to the departments of the town and the Board of Education, and \$0 for the non-major special revenue funds as they relate to the state and federal grant programs of the Town.

**V. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results may differ from those estimates.

**W. Unclassified general and program expenditures**

The Town uses departmental expenditure categories labeled unclassified general and program to account for certain types of expenditures that they do not feel truly fall into the traditional departmental expenditure categories. The general fund classifies the annual library appropriation, payroll taxes, town insurances and a contingency account into this departmental expenditure category. In addition, certain expenditures relating to the town small cities program income fund are grouped into this category.

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**Note 2 - Restricted cash and investments - government-wide financial statements only**

The Town breaks cash down between a regular current asset and an other asset restricted on the government-wide statement of net position. The other assets restricted cash and investments amounts are made up of cash and investment balances which are restricted for a specific purpose in subsequent fiscal years. The current year amounts on the government-wide statement of net position can be broken down as follows.

	Restricted cash	Restricted investments
Restricted contribution funds	\$ 3,164	\$ -
Educational activity accounts and program funds	7,292	-
Unearned state, federal, and other grant program balances	484,565	-
Non-major permanent funds	2,319	4,715
	\$ 497,340	\$ 4,715

**Note 3 - Deposits and investments**

**Deposits**

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a formal deposit policy for custodial credit risk beyond the requirements of State statutes. FDIC insurance covers all deposit accounts, including checking and savings accounts, money market deposit accounts and certificates of deposit. The standard insurance amount is \$250,000 per depositor, per insured bank, for each account ownership category. For government accounts the ownership category is per official custodian. At year end, the carrying amount of the Town's deposits was \$1,299,139 which is shown in the fund financial statements as cash balances of \$1,243,424 and investment balances of \$55,715 which represent certificates of deposit. The corresponding bank balances of these accounts at various financial institutions totaled \$1,727,370 with the difference between the two amounts being represented by timing differences with outstanding checks, deposits in transit and cash on hand. Of these bank balances, \$430,198 was covered by FDIC with the remaining \$1,297,172 representing balances that were uninsured and collateralized by securities held by the pledging financial institutions' trust department or agent but not in the Town's name.

The Town does not have a formal deposit policy for custodial credit risk beyond the requirements of State statutes. All of the Town's deposits are in qualified public institutions as defined by state statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

**Investments**

The following schedule shows these different types of investments as held by the Town, the maturities of these investments and the associated credit ratings as of June 30, 2015.

Type	Fair value	Maturities in years			Credit ratings
		Less than 1 year	1 - 5 years	6 - 10 years	S & P
<b>Governmental funds:</b>					
CT short term investment fund	\$ 376,609	\$ 376,609	\$ -	\$ -	AAAm
Certificates of deposit	4,715	-	4,715	-	not rated
	\$ 381,324	\$ 376,609	\$ 4,715	\$ -	
<b>Fiduciary funds:</b>					
Certificates of deposit	\$ 51,000	\$ -	\$ 51,000	\$ -	not rated



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Interest Rate Risk - The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Credit Risk - The Town does not have a formal investment policy that would further limit its investment choices beyond those limited by Connecticut State statutes. The types of investments authorized to be carried by the Town are in accordance with those authorized by the State of Connecticut. These investments include obligations of the United States Government, obligations fully insured or guaranteed by the government or governmental agency, and repurchase agreements. The Town may vote to accept investments other than those authorized by the State in situations where they have been donated to the Town. Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a formal policy for custodial credit risk.

**Note 4 - Interfund receivables, payables, and transfers - fund financial statements only**

**Interfund receivables and payables** - The Town maintains a cash pool that is available for use by all funds. Each fund's portion of this pool is displayed on the balance sheet as "due to or from other funds" under each fund's caption. The purpose for interfund balances is to keep track of each fund's position in this cash pool. These balances are not expected to be repaid due to the fact that they simply represent funds collected or spent by one fund on behalf of another fund. The following information represents interfund receivables and payables by individual major fund and non-major funds in the aggregate. Only the balances for major funds are being shown below as is required. Separate balances due show up in both the due from and due to column of the general fund. This is because individual funds within each of the below listed fund types may have either a due to or a due from balance. The Town believes it is more beneficial to show this information separately rather than netted out.

	Receivable due from	Payable due to
<b>General fund:</b>		
Capital non-recurring fund	\$ -	\$ 58,982
Non-major special revenue funds	42,200	467,936
	\$ 42,200	\$ 526,918
<b>Capital non-recurring fund:</b>		
General fund	\$ 58,982	\$ -
Non-major special revenue funds	-	8,925
	\$ 58,982	\$ 8,925

**Interfund transfers** - Transfers in and out represent either budgeted or operating transfers which are not always physically made but need to be recorded to keep track of the individual fund balances. There were no transfers made by the Town during the current fiscal year which were significant which have been deemed not to have occurred on a routine basis and which are inconsistent with the activities of the fund (s) making the transfer (s). The only transfers made during the current fiscal year were those budgeted transfers included and approved at the annual town meeting or subsequently approved by a special town meeting with the exception of an amount transferred by the Board of Education to the town capital non-recurring fund for which no specific Board of Finance or town meeting approval was granted. The amount of this transfer was \$58,982 and represented the calculated current fiscal year remaining unspent elementary education budget. The aforementioned budget transfers to and from the general fund to and from the other funds of the town are as follows. Individual transfers between non-major governmental funds have not been included.

	Transfers in	Transfers out
<b>General fund:</b>		
Capital non-recurring fund	\$ -	\$ -345,983
Non-major special revenue funds	-	-26,163
	\$ -	\$ -372,146
<b>Capital non-recurring fund</b>		
General fund	\$ 345,983	\$ -

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**Note 5 - Capital assets - government-wide financial statements only**

The following schedule shows the capital asset activity for the fiscal year ended June 30, 2015. Information about the specific accounting policies of the Town in relation to capital assets can be found in note 1K on page 25 of the financial statements.

<b>Governmental activities:</b>	Balance 07/01/14	Additions	Retirements	Balance 06/30/15
Capital assets not being depreciated:				
Land	\$ 717,185	\$ -	\$ -	\$ 717,185
Capital assets being depreciated:				
Buildings and improvements	7,268,434	150,449	-	7,418,883
Vehicles	1,206,629	229,087	-	1,435,716
Equipment	382,456	-	-	382,456
Infrastructure and improvements	1,664,589	343,565	-	2,008,154
Total at historical value	<u>10,522,108</u>	<u>723,101</u>	<u>-</u>	<u>11,245,209</u>
Less accumulated depreciation for:				
Building and improvements	-3,331,558	-	-189,460	-3,521,018
Vehicles	-915,305	-	-63,096	-978,401
Equipment	-312,222	-	-16,561	-328,783
Infrastructure and improvements	-220,930	-	-70,343	-291,273
Total accumulated depreciation	<u>-4,780,015</u>	<u>-</u>	<u>-339,460</u>	<u>-5,119,475</u>
Total capital assets being depreciated (net)	<u>5,742,093</u>	<u>723,101</u>	<u>-339,460</u>	<u>6,125,734</u>
Governmental activities capital assets (net)	<u>\$ 6,459,278</u>	<u>\$ 723,101</u>	<u>\$ -339,460</u>	<u>\$ 6,842,919</u>

Depreciation expense taken on the governmental activities capital assets of the town are charged by function or department in the government-wide financial statements. During the current fiscal year depreciation was charged to general government - \$24,647, public safety - \$43,142, public works - \$57,383, education - \$143,945 and general infrastructure - \$70,343 for a total current fiscal year depreciation expense amount of \$339,460.

**Note 6 - Long-term liabilities - government-wide financial statements only**

The long-term debt and other liabilities of the Town are made up of the following individual debt agreements and amounts. Long-term debt and other liabilities are shown on the government-wide financial statements as governmental activities items.

<b>Governmental activities:</b>	Balance 07/01/14	Additions	Reductions	Balance 06/30/15	Amount due within one year
Outstanding payables:					
\$12,554 note payable	\$ -	\$ 12,554	\$ -1,831	\$ 10,723	\$ 3,139
Other liabilities:					
Accrued comp. balances - town	4,431	-	-564	3,867	
Accrued comp. balances - school	12,000	-	-	12,000	
Other post-employment benefits	597,957	47,428	-	645,385	
Total other liabilities	<u>614,388</u>	<u>47,428</u>	<u>-564</u>	<u>661,252</u>	
Total long-term liabilities	<u>\$ 614,388</u>	<u>\$ 59,982</u>	<u>\$ -2,395</u>	<u>\$ 671,975</u>	<u>\$ 3,139</u>

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The following is a summary of the terms, conditions, and ending balance as of June 30, 2015 of the outstanding long-term note payable of the Town as well as the outstanding principal requirements for the fiscal years ending June 30:

\$12,554 note payable issued in November of 2014 to finance a portion of the costs for a energy conservation lighting and other items project at the elementary school. This is a non-interest bearing note with monthly principal payments of \$262 through November of 2018. \$ 10,723

The following is a summary of the total outstanding principal and interest cash flow requirements for the aforementioned note payable of the governmental activities of the town for the fiscal years ending June 30:

	Principal	Interest	Total
2016	\$ 3,139	\$ -	\$ 3,139
2017	3,139	-	3,139
2018	3,139	-	3,139
2019	1,306	-	1,306
2020	-	-	-
	<u>\$ 10,723</u>	<u>\$ -</u>	<u>\$ 10,723</u>

**Note 7 - Accrued compensated balances**

Non-elected full time employees of the Town are allowed to earn paid absences for vacation and sick time. The employee's right to be paid for these future vacation and sick time absences are attributable to services already performed and earned vacation and sick time balances do accumulate. Town accumulated vacation balances are paid when an employee leaves. Therefore, the probability of these benefits being paid can be determined and a liability has been recorded in the accompanying government-wide financial statements on the statement of net position. However, town accumulated sick time balances are not paid when an employee leaves and therefore no liability has been recorded in the accompanying government-wide financial statements on the statement of net position. As of June 30, 2015, the value of these accumulated sick time balances was approximately \$4,704. A current portion of the recorded liability for these vacation benefits has not been estimated due to the fact that it cannot be accurately determined when and in what amount individuals will use these vacation benefits during the upcoming fiscal year.

Teachers retiring from teaching after 15 years of service, the last 10 of which are in the Hampton elementary school, shall be paid a severance benefit of on \$150 per year of service (prorated to full-time equivalent years of service for part-time teachers) up to a maximum of \$1,500. Any teacher who honorably leaves the Hampton elementary school after 11 years of service (prorated to full-time equivalent years of service for part-time teachers) and who is not dismissed for cause, shall be entitled to a severance benefit calculated as follows: Teachers shall be paid 25% of their prorated daily salary for each accumulated sick leave day in excess of the statutory maximum accumulation of 150 sick days, provided that such benefit shall not exceed \$1,500. The current recorded liability for these earned severance payments is \$12,000 as of June 30, 2015. A current portion of the recorded liability for these severance payments has not been estimated due to the fact that it cannot be accurately determined which individuals will leave the employment of the Board of Education during the upcoming fiscal year thus receiving the applicable severance payment amount.

**Note 8 - Net position balances - net investment in capital assets**

The net investment in capital assets, net of related debt net position amount on the government-wide statement of net position consisted of the following items as of June 30, 2015.

	Governmental activities
Recorded value of capital assets	\$ 11,962,394
Less accumulated depreciation	-5,119,475
Book value of capital assets	6,842,919
Less capital assets related debt	-10,723
Total net investment in capital assets	<u>\$ 6,832,196</u>

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**Note 9 - Net position and fund balances - restricted**

The Town has received a number of housing rehabilitation CDBG grants from the U.S. Department of Housing and Urban Development which are accounted for within the small cities program major fund. The purpose of these grants is to provide assistance to low to moderate income residents for addressing housing needs with a priority being placed on public health and safety code violations and to establish a permanent loan fund using the proceeds. Each resident receiving benefits under these grants is required to sign a deferred housing rehabilitation program property lien agreement. Should said property be mortgaged, sold, or beneficial interest or title be transferred, the balance of the principal due under the terms of the Assistance Agreement will be paid in full to the Town at the time of sale. The proceeds of any such sale being deposited into the aforementioned loan fund and permanently used by the Town for other similar programs as described in the approved program income reuse plan. Program income including interest income earned on repaid funds before the funds are reused must be deposited into this loan fund. The activity of this program is accounted for in two separate ways in that the revenue and expenditures relating to the actual CDBG grants is accounted for separately from the program income. Revenue is recorded within the program income fund on an annual basis in the amount of any new and completed property lien agreements. Expenditures within the program income fund include administrative and other miscellaneous items as well as the amounts of property lien agreements written off during the fiscal year. These written off lien agreements are shown as unclassified expenditures within the fund financial statements of the Town. As of June 30, 2015, the following balances represent the loan fund described above.

Cash and restricted cash	\$ 22,279
Due from other funds	-
Notes receivable (net of allowance)	2,512,027
Restricted net position and restricted fund balance	-2,534,306
	\$ -
	-

**Note 10 - Town employee benefit plans**

The employees of the Town are covered under a Savings Incentive Match Plan for Employees Individual Retirement Account, more commonly known as a "SIMPLE IRA" plan. All employees who received at least \$5,000 in compensation during any preceding calendar years (whether or not consecutive) and who are reasonably expected to receive at least \$5,000 in compensation during the calendar year, are eligible to participate in the plan for the calendar year. The Town has chosen to exclude employees who are covered by a collective bargaining agreements, if retirement benefits were the subject of good faith bargaining between the Town and the employee representatives. For each calendar year, the Town makes a matching contribution to each eligible employees SIMPLE IRA equal to the eligible employees salary reduction contributions up to 3% of the eligible employees compensation for the calendar year. During the current fiscal year, 10 employees were eligible for the plan and received matching contributions by the Town in the amount of \$7,198. The total payroll for all Town employees for the current fiscal year totaled approximately \$414,340 with the amount attributable to contributing eligible employees under the plan totaling approximately \$284,834.

**Note 11 - On-behalf payments**

As required by accounting principles generally accepted in the United States of America (GAAP), the Town has recorded a revenue and expenditure for Connecticut State Teachers' Retirement Board Contributions made by the State of Connecticut on-behalf of the Hampton School Department teachers for the fiscal year ended June 30, 2015. The pension contributions made by the State are determined on an actuarial reserve basis in accordance with 10-183z of the Connecticut General Statutes which reflects public act 79-436 as amended. For the fiscal year ended June 30, 2015, the Hampton School Department's total covered payroll was approximately \$1,075,421 and the applicable on-behalf payment percentage or appropriation for the period was 25.60%. This amount was not budgeted for in the general fund and results in a difference in reporting on a budgetary basis of accounting versus reporting under GAAP. An intergovernmental revenue in the amount of \$275,308 and an education expenditure of \$275,308 have been included in the general fund on Statement D (GAAP basis) and have not been reported in the detail of Statement E (budgetary basis) of the fund financial statements. There is no effect on the fund balance at the end of the year. An operating grants and contributions revenue in the amount of \$275,308 and an expense in the governmental activities section under a separate education function line item of \$275,308 have been included on Statement B of the government-wide financial statements. There is no effect on the net position balance at the end of the year. The above State appropriation percentage of 25.60% compares to 24.79% during the prior fiscal year. The above State on-behalf payment of \$275,308 compares to \$275,077 during the prior fiscal year.

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**Note 12 - Defined benefit pension plan**

*Connecticut Teachers' Retirement System*

**Plan description** - Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with pensions through the Connecticut State Teachers' Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Teachers Retirement Board. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the Teachers Retirement Board. The Teachers Retirement Board issues a publicly available financial report that can be obtained at [www.ct.gov](http://www.ct.gov).

**Benefits provided** - The plan provides retirement, disability and death benefits. Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut. In relation to normal retirement, retirement benefits for employees are calculated as 2% of the average annual salary times the years of credited service (maximum benefit is 75% of average annual salary during the 3 years of highest salary). In addition, amounts derived from the accumulation of 1% contributions made prior to July 1, 1989 and voluntary contributions are payable. In relation to early retirement, employees are eligible after 25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service. Benefit amounts are reduced by 6% per year for the first 5 years preceding normal retirement age and 4%, per year for the next 5 years preceding the normal retirement age. Effective July 1, 1999, the reduction for individuals with 30 or more years of service is 3% per year as retirement precedes normal retirement date. In relation to disability retirement, employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for non-service related disability eligibility. Disability benefits are calculated as 2% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary. In addition, disability benefits under this plan (without regard to cost-of-living adjustments) plus any initial award of social security benefits and workers' compensation cannot exceed 75% of average annual salary.

In relation to minimum benefits, effective January 1, 1999, Public Act 98-251 provides a minimum monthly retirement benefit of \$1,200 to teachers who retire under the Normal Benefit provisions and who have completed at least 25 years of full time Connecticut service at retirement. In relation to prorated benefits, A plan member who leaves service and has attained 10 years of service will be entitled to 100% of the accrued benefit as of the date of termination of covered employment. Benefits are payable at age 60 and early retirement reductions are based on the number of years of service the member would have had if they had continued to work until age 60. In relation to pre-retirement death benefits, the plan also offers a lump sum return of contribution with interest or surviving spouse benefit depending on the length of service.

**Contribution requirements** - Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are approved, amended and certified by the State Teachers Retirement Board and appropriated by the General Assembly. The statutes require the State of Connecticut to contribute 100% of each school districts' required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability. School District employers are not required to make contributions to the plan. Effective July 1, 1992, each teacher is required to contribute 6% of salary for the pension benefit.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions** - The Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows due to the statutory requirement that the State pay 100%, of the required contribution. The amounts recognized by the Town as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the Town were as follows. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. At June 30, 2015, the Town has no proportionate share of the net pension liability. For the year ended June 30, 2015, the Town recognized pension revenue and expense of \$275,308 as shown in Note 11 for on-behalf amounts for the benefits provided by the State.

Town's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Town	2,569,978
<b>Total</b>	<b>\$ 2,569,978</b>

**Town of Hampton, Connecticut**  
Notes to the basic financial statements  
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**Actuarial assumptions** - The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement::

Inflation	3.00%
Salary increases	3.75% to 7.00%, including inflation
Investment rate of return	8.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table RP-2000 projected 19 years using scale AA, with a two-year setback for males and females for the period after service retirement and for dependent beneficiaries.

Future Cost-of-Living increases for members who retire on or after September 1, 1992 are assumed to receive an annual cost-of-living adjustment of 2%. For teachers who were members of the Teachers' Retirement System before July 1, 2007, and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%. For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for by Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1%.

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

Asset class	Target allocation	Long-term expected real rate of return
Large cap U.S. equities	21.0%	7.3%
Developed non U.S. equities	18.0%	7.5%
Emerging markets (non U.S.)	9.0%	8.6%
Core fixed income	7.0%	1.7%
Inflation linked bond fund	3.0%	1.3%
Emerging markets bond fund	5.0%	4.8%
High yield bonds	5.0%	3.7%
Real estate	7.0%	5.9%
Private equity	11.0%	10.9%
Alternative investments	8.0%	0.7%
Liquidity fund	6.0%	0.4%
Total	<u>100.0%</u>	

**Discount rate** - The discount rate used to measure the total pension liability was 8.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined contribution rates in the future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Town of Hampton, Connecticut**  
Notes to the basic financial statements  
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**Sensitivity of the Town's proportionate share of the net pension liabilities to changes in the discount rate** - The Town's proportionate share of the net pension liability is \$0 and, therefore, the change in the discount rate would only impact the amount recorded by the State of Connecticut.

**Pension Plan Fiduciary Net Position** - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial statements available at [www.ct.gov](http://www.ct.gov).

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

**Note 13 - Other post-employment benefits - OPEB**

Government accounting standards board (GASB) Statement No.'s 43 and 45 relate to the accounting and reporting for post-employment benefits other than pension benefits. The Town was required to implement this standard for the fiscal year beginning after December 15, 2008 which was the Town's fiscal year ended June 30, 2010. The objective of Statement No. 43 - *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, is to establish uniform standards of financial reporting by state and local governmental entities for other post-employment benefit plans (OPEB plans). OPEB plans are plans that provide post-employment healthcare benefits, either separately or through a defined benefit pension plan. The most common forms of healthcare benefits are medical, dental and vision. Other examples of benefits which are covered by this statement include life insurance, disability and long-term care benefits only when they are provided separately from a defined benefit pension plan. Paragraph 9 of this statement tells us that OPEB arise from an exchange of salaries and benefits for employee services, and it is part of the compensation that employers offer for services received.

The Board of Education of the Town provides a benefit, as required by State Statute, to its employees upon retirement in the form of the ability to be part of the health insurance plan while paying the full amount of the premium charged for active employees and receiving no physical subsidy from the School. Under this Statement, this type of benefit is referred to as an implicit rate subsidy. An implicit rate subsidy exists in effect when a health insurance premium rate is made up of age adjusted factors covering active and retired employees. The health insurance premiums which would be charged to a group of solely retirees are most likely larger than those which would be charged to a group of solely active employees. When these two groups are merged together, a rate somewhere in the middle is charged to all of the employees, whether active or retired. The difference between the premium costs paid by the employer and what would have been paid if the rates were not blended is considered a non-current cost of the employer. The difference between the premium costs paid by the retiree and what would have been paid if the rates were not blended is considered a benefit to the retiree. Hence, a very simplified description of an implicit rate subsidy.

**Plan description**

The Board of Education of the Town maintains a single employer defined benefit OPEB Plan. The Plan provides a benefit for retired teachers and administrators in the form of the ability to maintain health insurance coverage through the Plan available to active teachers and administrators of the Board of Education. There are a number of different plan eligibility requirements for members of these groups and the provisions of the Plan were established by the Board of Education along with the respective bargaining units of each group in conjunction with all applicable state statutes. The Plan therefore would be amended through the action of these same groups. These benefits will continue for the life of the retiree once they are a part of the Plan. In addition, benefits for a retirees spouse will also continue for the life of the spouse once they are a part of the Plan. Surviving spouses are permitted to continue coverage after the death of the retiree, but are responsible for continuing to pay the same monthly premium amount or percentage that was being paid while the retiree was alive. The Plan does not issue stand-alone financial statements.

**Funding policy and annual OPEB cost**

The provisions of the Plan were established by the Board of Education of the Town along with the respective bargaining units of each group in conjunction with all applicable state statutes. The Board of Education does not contribute directly to this Plan but rather contributes in the form of an implicit rate subsidy. Retirees under this Plan are required to pay the full amount of the health insurance premiums that are applicable to their particular coverage option. The retiree portion is, however, reduced by an amount contributed by the State of State Retirement Board when applicable. The current amount contributed by the State for each retiree is \$110 per month for a single coverage plan and \$220 per month for a dual coverage plan. The State can modify the amount contributed at any time in accordance with applicable State statutes.

**Town of Hampton, Connecticut**  
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GASB Statement No. 45 does not mandate that a post-employment benefit liability be pre-funded by an organization. It simply mandates that the liability be recorded and that certain related information be disclosed. The Board of Education of the Town currently plans to fund these benefits on a pay-as-you-go basis. As a result, no assets of the Town have been segregated and restricted to fund or provide these post-employment benefits. The annual required contribution (ARC), which is an actuarial determined amount, represents a level amount of funding, which if paid on an ongoing basis, would be projected to cover the normal cost each year and to amortize the unfunded actuarial liability over a period not to exceed thirty years.

The following table represents the OPEB costs for the Town in relation to the Board of Education OPEB plan for the current fiscal year and the annual required contribution.

Normal cost	\$	26,420
Amortization of unfunded actuarial accrued liability		34,283
Annual required contribution (ARC)		<u>60,703</u>

**Funding status**

The Town's annual OPEB cost and the net OPEB obligation as it relates to the OPEB Plan of the Board of Education for the fiscal year ending June 30, 2014 are as follows.

Annual required contribution (ARC) (A)	\$	60,703
Interest on beginning NOO (B) at 4.00% (C)		23,918
Adjustment to ARC beginning NOO (B) divided by 24.14 (D)		<u>-24,770</u>
Annual OPEB Cost (A + C - D)		59,851
Age adjustment contribution made		<u>-12,423</u>
 Increase in Net OPEB Obligation		 47,428
 Net OPEB Obligation as of June 30, 2014 (B)		 <u>597,957</u>
 Net OPEB Obligation as of June 30, 2015		 <u>\$ 645,385</u>

**Actuarial methods and assumptions**

The projections of benefits associated with the Plan are based on the substantive Plan (this is the plan as it is understood by the employer and the plan members) and include the types of benefits available at the valuation date and the pattern of sharing the cost of these benefits between the Board of Education of the Town and the members of the Plan. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets. Significant methods and assumptions made in making the applicable actuarial calculations are as follows.

Actuarial valuation date		06/30/13
Actuarial cost method		Entry age
Amortization method	Level percent of payroll	
Remaining amortization period		30 years
 Actuarial assumptions		
Age adjustment factor		1.405694
Average retirement age		61
Discount rate		4.00%
Projected salary increases		2.50%
Participation percentage		43.00%
UAL and ARC calculated	Alternative Measurement Method	
Mortality table	RP2000 Mortality table	Projected 10 years
Turnover assumptions	Standard turnover assumptions	



**Town of Hampton, Connecticut**  
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**Schedule of funding progress**

Actuarial valuations involve a number of estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions based on actual results as compared to past expectations and new estimates based on expected future events and conditions. The required schedule of funding progress presented below provides multi-year trend information intended to show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial valuation date	Actuarial value of plan assets (a)	Actuarial accrued liability (AAL) entry age (b)	Unfunded AAL (UAAL) (a - b)	Funded ratio (a / b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b - a) / c)
06/30/10	\$ -	\$ 2,479,630	\$ 2,479,630	0.00%	\$ 1,205,596	206.54%
06/30/13	\$ -	\$ 1,028,489	\$ 1,028,489	0.00%	\$ 1,074,165	95.75%

**Schedule of employer contributions**

The following schedule shows the Board of Educations annual OPEB cost, its annual contributions, the percentage of the annual OPEB costs contributed and the Net OPEB Obligation.

Fiscal year ending	Annual OPEB cost (AOC)	Age adjusted contributions	Percentage of AOC contributed	Net OPEB Obligation (NOO)
06/30/11	\$ 188,446	\$ 14,940	7.93%	\$ 336,013
06/30/12	\$ 182,455	\$ 14,940	8.19%	\$ 503,528
06/30/13	\$ 58,505	\$ 14,060	24.03%	\$ 547,973
06/30/14	\$ 59,986	\$ 10,002	16.67%	\$ 597,957
06/30/15	\$ 59,851	\$ 12,423	20.75%	\$ 645,385

**Note 14 - Commitments and contingencies - Risk management**

The Town is at risk of loss due to items such as lawsuits, automobile claims, and theft. The Town has purchased commercial insurance coverage for any of these types of loss which may occur. The Town believes the amounts of coverage in force are adequate and in compliance with all applicable laws, rules, and regulations. The Town has not had any significant reductions in insurance coverage from the prior fiscal year by major category of risk. The amount of settlements have not exceeded insurance coverage during any of the previous three fiscal years. The Town participates in numerous Federal and State grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, refunds of any monies received as of and through June 30, 2015 may be impaired. In the opinion of the management of the Town, there are no unrecorded significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants, therefore, no provision has been recorded in the accompanying basic financial statements for such possible contingencies. In addition, the Town occasionally books unbilled accounts receivable representing earned or recognized grant or contract dollars which have not yet been billed or received. Any subsequent modification or amendments to these grants or contracts could result in a loss to the Town. However, in the opinion of the management of the Town there are no unrecorded significant contingent liabilities in regard to these unbilled accounts receivable. Any material subsequent modifications or amendments would be shown by the Town as a restatement of the prior fiscal year results as applicable.

**Town of Hampton, Connecticut**  
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**Note 15 - Commitments and contingencies - Operating leases**

The Town and the Board of Education of the Town lease a number of photocopiers under two lease agreements which are classified as operating leases. For these leases to be classified as capital leases, they must meet at least one of the following four criteria: 1) The lease passes title to the lessee by the end of the lease term, 2) the lease contains a bargain purchase option, 3) the lease term is at least 75% of the property's estimated economic life, or 4) the present value of the minimum lease payments is at least 90% of the property's fair value. According to the terms of the lease agreement, the first and second criteria is not met. For criteria three and four, the estimate made is that at the end of the lease term the copiers will be refurbished by the lessor and leased in another capacity and payment amount to another lessee. The first lease agreement for one photocopier is for the Town and is for a period of sixty months through April of 2017. The monthly payment under this lease agreement is \$148 which equals annual payments of \$1,776. The second lease agreement for two photocopiers is for the Board of Education and is for a period of forty-eight months through December of 2015. The monthly payment under this lease agreement is \$708 which equals annual payments of \$8,496.

**Note 16 - Commitments and contingencies - Contingent debt**

The Town is contingently liable for its proportionate share of any defaulted debt by entities of which it is a member. The Town is currently a member of the Connecticut Regional School District # 11 and would therefore be contingently liable for any outstanding debt of the District. The Town's portion of this debt would be based on the percentage of the Town's annual assessment to the total annual assessment of the District to the member towns. As of June 30, 2015, the District has reported to the Town that there was no outstanding debt for the District for which the Town would be contingently liable.

**Note 17 - Commitments and contingencies - Other**

The Board of Education entered into a bus transportation agreement for the purpose of providing transportation services for the school children of the Town of Hampton in compliance with local policies and legal requirements. This agreement runs from July 1, 2014 through June 30, 2019, unless extended by mutual agreement. Payment terms are based on specific daily and hourly rates for regular route hours and trips and non-route hours and trips per bus. The per day vehicle prices included in the contract from year one through year five are \$240.88, \$248.11, \$255.55, \$263.22 and \$271.12 respectively. The Board of Education has also entered into a HVAC service agreement for the purpose of insuring the proper and efficient operation of their heating, ventilating, and air conditioning systems at the Hampton elementary school. This annual agreement runs from July 1, 2015 through June 30, 2016 and is payable in quarterly installments of \$2,251 for an annual cost of \$9,004.

The Towns of Hampton and Scotland currently have a cooperative agreement in place to operate the Hampton/Scotland transfer station in order to dispose of both the recyclable waste and the municipal solid waste of both towns. The transfer station and related operations are funded by the two towns based on a per capita ratio. The per capita ratio for the fiscal year ended June 30, 2015 was 52% for the Town of Hampton and 48% for the Town of Scotland. This per capita ratio is applied to the actual costs of running the transfer station which are accounted for by the Town of Hampton and then billed to the Town of Scotland. In addition, the per capita ratio is applied to the waste disposal costs, the waste and recycling transportation costs and the recycling center lease costs.

The Town's currently have a recycling transportation agreement with a contractor which is for a two year period and runs from July 1, 2013 through June 30, 2015. Under the agreement, the recyclable waste generated by the two towns will be transported as directed by the two towns at a cost of \$30 per container for on-site moves, \$139 per trip for transportation of the recyclable waste within a 20 mile radius of the Town of Hampton and \$175 per trip for transportation of the recyclable waste outside of a 20 mile radius of the Town of Hampton. The agreement also contains an escalation clause relating to pricing adjustments in the form of a fuel surcharge in the event that fuel prices exceed \$4.50 per gallon and will relate only to the recapture of excess fuel costs.

The Town's currently have a lease agreement in place for the lease of property relating to the transfer station and recycling center. The lease agreement is for a ten year period and runs from July 1, 2014 through June 30, 2023. The first year contract amount is \$26,817 which is due in four quarterly installments of \$6,704. These quarterly installments are paid by each individual town based on the aforementioned per capita ratios. The following nine years of the contract will be adjusted annually and will include an increase based on the annual inflation rate index from the previous year plus one point five percent.

**Town of Hampton, Connecticut**  
Notes to the basic financial statements  
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**Note 18 - Reclassifications, restatements and prior period adjustments**

A number of reclassifications, restatements and prior period adjustments have been applied to the Town's ending financial statement balances as of June 30, 2014. In the prior fiscal years fund financial statements, the ending general fund balance was \$799,649. A number of adjustments were applied to this balance. They included reclassifying out the balance of grange building maintenance funds which more closely met the definition of capital non-recurring funds in the amount of (\$2,520), reclassifying out the balances of fuel donation funds which more closely met the definition of special revenue funds in the amount of (\$2,000), reclassifying out the balances of the cemetery and library trust funds which more closely met the definition of permanent funds in the amount of (\$4,640) and reclassifying out the balances of the Hampton Volunteer Fire Department and the Hampton Chaplin Ambulance Corp. trust funds which more closely met the definition of private purpose trust funds in the amount of (\$50,232). In addition, the recorded interest receivable value for delinquent taxes was eliminated in the amount of (\$50,917) as this amount is only recorded in the government-wide financial statements, the allowance for doubtful accounts was eliminated in the amount of \$63,534 based on a review of the account activity and management estimates, the recorded accrued payroll balance was decreased in the amount of \$4,595 based on a review of the actual activity, the recorded accounts payable balance was increased in the amount of (\$6,283) based on specific invoices which were noted during the current fiscal year which were for prior fiscal year services and a miscellaneous balance relating to town beautification funds was reclassified to an other liability account in the amount of (\$240) in order to more easily track and account for the expenditure of the funds. The net amount of these prior period adjustments is a decrease in the amount of (\$48,703) when applied to the prior fiscal year ending general fund balance amount of \$799,649 equals the adjusted ending general fund balance amount of \$750,946.

In the prior fiscal years fund financial statements, the ending capital non-recurring fund balance was \$460,280. A number of adjustments were applied to this balance. They included reclassifying out the balance of town clerk historic document preservation funds which more closely met the definition of special revenue funds in the amount (\$5,864), reclassifying out the balance of town clerk discretionary funds which more closely met the definition of special revenue funds in the amount of (\$2,442) and reclassifying in the balance of grange building maintenance funds which more closely met the definition of capital non-recurring funds in the amount of \$2,520. The net amount of these prior period adjustments is a decrease in the amount of (\$5,786) when applied to the prior fiscal year ending capital non-recurring fund balance amount of \$460,280 equals the adjusted ending capital non-recurring fund balance amount of \$454,494.

In the prior fiscal years fund financial statements, the ending non-major governmental funds fund balance was \$22,060. A number of adjustments were applied to this balance. They included reclassifying in the balance of town clerk historic document preservation funds which more closely met the definition of special revenue funds in the amount \$5,864, reclassifying in the balance of town clerk discretionary funds which more closely met the definition of special revenue funds in the amount of \$2,442, reclassifying in the balances of fuel donation funds which more closely met the definition of special revenue funds which were previously included in the general fund balance in the amount of \$2,000 and which were previously included as a liability in the general fund in the amount of \$2,600, reclassifying in the balances of the cemetery and library trust funds which more closely met the definition of permanent funds in the amount of \$4,640, recognizing funds related to school special revenue funds in the amount of \$14,973 which had previously been deferred due to the interpretation of the accounting definition of revenue recognition as it relates to funds being measurable and available and the correction of a prior fiscal year recorded cash balance for the recreation fund in the amount of \$1,115 for which the reason for the variance could not be determined. The net amount of these prior period adjustments is an increase in the amount of \$33,634 when applied to the prior fiscal year ending non-major governmental funds fund balance amount of \$22,060 equals the adjusted ending non-major governmental funds fund balance amount of \$55,694.

In the prior fiscal years fund financial statements, there were no amounts included for private purpose trust funds. A prior period adjustment was recorded reclassifying in the balances of the Hampton Volunteer Fire Department and the Hampton Chaplin Ambulance Corp. trust funds which more closely met the definition of private purpose trust funds in the amount of \$50,232.

In the prior fiscal years government-wide financial statements, the ending governmental activities net position balance was \$9,612,364. A number of the above adjustments were applied to this balance. They included the reclassifying out of the balances of the Hampton Volunteer Fire Department and the Hampton Chaplin Ambulance Corp. trust funds which more closely met the definition of private purpose trust funds in the amount of (\$50,232) which are fiduciary funds which are not included in the government-wide financial statements. In addition, the allowance for doubtful accounts was eliminated in the amount of \$63,534, the recorded accrued payroll balance was decreased in the amount of \$4,595, the recorded accounts payable balance was increased in the amount of (\$6,283), the miscellaneous balance relating to town beautification funds was reclassified to an other liability account in the amount of (\$241), the fuel donations fund balance was reclassified from an other liability account in the amount of \$2,600 and recreation fund balance was increased by \$1,115. The net amount of these prior period adjustments is an increase in the amount of \$15,088 when applied to the prior fiscal year ending governmental activities net position balance amount of \$9,612,364 equals the adjusted ending governmental activities net position balance amount of \$9,627,452.

**Town of Hampton, Connecticut**  
Notes to the basic financial statements  
June 30, 2015

**Note 19 - Subsequent events**

The Town has evaluated subsequent events through February 25, 2016, the date to which the financial statements were available to be issued. There were no recognized subsequent events that would require adjustments to the financial statements and there were no non-recognized subsequent events that would require disclosure in the notes to the financial statements.

**Note 20 - Recently issued accounting standards**

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements and provides guidance for determining a fair value measurement for financial reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions that are provided to the employees of state and local governmental employers and are not within the scope of GASB Statement No. 68. The requirements of this Statement that address accounting and financial reporting by employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. The Town does not expect this statement to have a material effect on its financial statements.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*. This statement establishes new accounting and financial reporting requirements for OPEB plans included in the general purpose external financial reports of state and local governmental OPEB plans and replaces the requirements of GASB Statements No. 43, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, as amended, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2016.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. This statement establishes new accounting and financial reporting requirements for OPEB plans and replaces the requirements of GASB Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The requirements of this Statement are effective for fiscal years beginning after June 15, 2017.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement establishes the hierarchy of GAAP for state and local governments and supersedes GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and amends GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015.

**Town of Hampton, Connecticut**  
Schedule of Town's proportionate share of the net pension liability  
Connecticut Teachers' Retirement System  
Last ten fiscal years (for the only years available)

	2015
Town's proportion of the net pension liability	0.025341%
Town's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Town	2,569,978
Total	\$ 2,569,978
Town's covered-employee payroll	\$ 1,075,421
Town's proportion share of the net pension liability as a percentage of its covered-employee payroll	0.00%
Plan fiduciary net position as a percentage of the total pension liability	61.51%

**Notes to schedule:**

Changes in benefit terms and assumptions:

There were no changes in benefit terms. In 2011, rates of withdrawal, retirement and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five year period ended June 30, 2010.

Methods and assumptions used in calculations of actuarial determined contributions:

The actuarially determined contributions in the schedule of employer contributions are calculated as of June 30 each biennium for the fiscal years ending two and three years after the valuation date. The following actuarial methods and assumptions were used to determine the most recent contributions reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percent of pay, closed
Single equivalent amortization period	22.4 years
Asset valuation method	4-year smoothed market
Investment rate of return	8.5% net of pension plan investment expense, including inflation
Salary increases	3.75% - 7.00%, including inflation
Inflation	3.00%

**Town of Hampton, Connecticut**  
Combining Balance sheet and combining Statement of revenues,  
expenditures and changes in fund balances - Non-major governmental funds  
As of and for the year ended June 30, 2015

	Non-major special revenue funds	Non-major permanent funds	Totals
<b>Assets</b>			
Cash	\$ 93,436	\$ 2,319	\$ 95,755
Investments	-	4,715	4,715
Accounts receivable	6,248	-	6,248
Inventory	1,077	-	1,077
Due from other funds	477,283	-	477,283
Total assets	<u>578,044</u>	<u>7,034</u>	<u>585,078</u>
<b>Liabilities</b>			
Accounts payable	6,313	-	6,313
Other liabilities	10,108	-	10,108
Due to other funds	42,622	-	42,622
Total liabilities	<u>59,043</u>	<u>-</u>	<u>59,043</u>
<b>Fund balance</b>			
Nonspendable	1,035	6,623	7,658
Restricted	500,070	411	500,481
Committed	-	-	-
Assigned	17,896	-	17,896
Unassigned	-	-	-
Total fund balance	<u>519,001</u>	<u>7,034</u>	<u>526,035</u>
Total liabilities and fund balance	<u>\$ 578,044</u>	<u>\$ 7,034</u>	<u>\$ 585,078</u>
<b>Revenues</b>			
Property tax revenues	\$ -	\$ -	\$ -
Intergovernmental revenues	660,398	-	660,398
Charges for services	53,591	-	53,591
Interest income	-	92	92
Miscellaneous	9,494	-	9,494
Total revenues	<u>723,483</u>	<u>92</u>	<u>723,575</u>
<b>Expenditures</b>			
Salary and wages	169,662	-	169,662
Program operating costs	109,718	17	109,735
Capital expenditures	-	-	-
Total expenditures	<u>279,380</u>	<u>17</u>	<u>279,397</u>
Excess (deficiency) of revenues over (under) expenditures	<u>444,103</u>	<u>75</u>	<u>444,178</u>
<b>Other financing sources (uses)</b>			
Transfers in	26,163	-	26,163
Transfers out	-	-	-
Total other financing sources (uses)	<u>26,163</u>	<u>-</u>	<u>26,163</u>
Net change in fund balance	470,266	75	470,341
<b>Fund balance - July 1</b>	<u>48,735</u>	<u>6,959</u>	<u>55,694</u>
<b>Fund balance - June 30</b>	<u>\$ 519,001</u>	<u>\$ 7,034</u>	<u>\$ 526,035</u>

**Town of Hampton, Connecticut**  
Combining Balance sheet and combining Statement of revenues,  
expenditures and changes in fund balances - Non-major special revenue funds  
As of and for the year ended June 30, 2015

	School lunch program	Steap Dot grant	Emergency management grant	Historic document preservation
<b>Assets</b>				
Cash	\$ 19,767	\$ -	\$ -	\$ -
Investments	-	-	-	-
Accounts receivable	3,892	-	-	-
Inventory	1,077	-	-	-
Due from other funds	422	450,000	5,140	6,098
Total assets	<u>25,158</u>	<u>450,000</u>	<u>5,140</u>	<u>6,098</u>
<b>Liabilities</b>				
Accounts payable	1,817	-	-	-
Other liabilities	42	-	-	-
Due to other funds	16,007	-	-	-
Total liabilities	<u>17,866</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance</b>				
Nonspendable	1,035	-	-	-
Restricted	6,257	450,000	5,140	6,098
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balance	<u>7,292</u>	<u>450,000</u>	<u>5,140</u>	<u>6,098</u>
Total liabilities and fund balance	<u>\$ 25,158</u>	<u>\$ 450,000</u>	<u>\$ 5,140</u>	<u>\$ 6,098</u>
<b>Revenues</b>				
Property tax revenues	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	21,303	450,000	5,140	-
Charges for services	19,344	-	-	235
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>40,647</u>	<u>450,000</u>	<u>5,140</u>	<u>235</u>
<b>Expenditures</b>				
Salary and wages	30,532	-	-	-
Program operating costs	26,256	-	-	-
Capital expenditures	-	-	-	-
Total expenditures	<u>56,788</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-16,141</u>	<u>450,000</u>	<u>5,140</u>	<u>235</u>
Other financing sources (uses)				
Transfers in	22,688	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>22,688</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	6,547	450,000	5,140	235
<b>Fund balance - July 1</b>	<u>745</u>	<u>-</u>	<u>-</u>	<u>5,863</u>
<b>Fund balance - June 30</b>	<u>\$ 7,292</u>	<u>\$ 450,000</u>	<u>\$ 5,140</u>	<u>\$ 6,098</u>

**Town of Hampton, Connecticut**  
Combining Balance sheet and combining Statement of revenues,  
expenditures and changes in fund balances - Non-major special revenue funds  
As of and for the year ended June 30, 2015

	Town clerk discretionary fund	Fuel donations fund	Youth sports fund	Recreation activities fund
<b>Assets</b>				
Cash	\$ -	\$ -	\$ -	\$ 3,165
Investments	-	-	-	-
Accounts receivable	-	-	-	-
Inventory	-	-	-	-
Due from other funds	2,827	2,979	9,817	-
<b>Total assets</b>	<b>2,827</b>	<b>2,979</b>	<b>9,817</b>	<b>3,165</b>
<b>Liabilities</b>				
Accounts payable	-	-	-	-
Other liabilities	-	-	-	-
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balance</b>				
Nonspendable	-	-	-	-
Restricted	2,827	2,979	-	-
Committed	-	-	-	-
Assigned	-	-	9,817	3,165
Unassigned	-	-	-	-
<b>Total fund balance</b>	<b>2,827</b>	<b>2,979</b>	<b>9,817</b>	<b>3,165</b>
<b>Total liabilities and fund balance</b>	<b>\$ 2,827</b>	<b>\$ 2,979</b>	<b>\$ 9,817</b>	<b>\$ 3,165</b>
<b>Revenues</b>				
Property tax revenues	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-
Charges for services	385	-	-	9,050
Interest income	-	-	-	-
Miscellaneous	-	3,729	-	-
<b>Total revenues</b>	<b>385</b>	<b>3,729</b>	<b>-</b>	<b>9,050</b>
<b>Expenditures</b>				
Salary and wages	-	-	-	-
Program operating costs	-	5,350	-	14,601
Capital expenditures	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>5,350</b>	<b>-</b>	<b>14,601</b>
Excess (deficiency) of revenues over (under) expenditures	385	-1,621	-	-5,551
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	3,475
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,475</b>
Net change in fund balance	385	-1,621	-	-2,076
<b>Fund balance - July 1</b>	<b>2,442</b>	<b>4,600</b>	<b>9,817</b>	<b>5,241</b>
<b>Fund balance - June 30</b>	<b>\$ 2,827</b>	<b>\$ 2,979</b>	<b>\$ 9,817</b>	<b>\$ 3,165</b>



**Town of Hampton, Connecticut**  
Combining Balance sheet and combining Statement of revenues,  
expenditures and changes in fund balances - Non-major special revenue funds  
As of and for the year ended June 30, 2015

	School donations fund	School readiness fund	Elementary education grants	Totals
<b>Assets</b>				
Cash	\$ 185	\$ 37,399	\$ 32,920	\$ 93,436
Investments	-	-	-	-
Accounts receivable	-	560	1,796	6,248
Inventory	-	-	-	1,077
Due from other funds	-	-	-	477,283
Total assets	<u>185</u>	<u>37,959</u>	<u>34,716</u>	<u>578,044</u>
<b>Liabilities</b>				
Accounts payable	-	973	3,523	6,313
Other liabilities	-	7,225	2,841	10,108
Due to other funds	-	24,847	1,768	42,622
Total liabilities	<u>-</u>	<u>33,045</u>	<u>8,132</u>	<u>59,043</u>
<b>Fund balance</b>				
Nonspendable	-	-	-	1,035
Restricted	185	-	26,584	500,070
Committed	-	-	-	-
Assigned	-	4,914	-	17,896
Unassigned	-	-	-	-
Total fund balance	<u>185</u>	<u>4,914</u>	<u>26,584</u>	<u>519,001</u>
Total liabilities and fund balance	<u>\$ 185</u>	<u>\$ 37,959</u>	<u>\$ 34,716</u>	<u>\$ 578,044</u>
<b>Revenues</b>				
Property tax revenues	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	112,690	71,265	660,398
Charges for services	-	24,577	-	53,591
Interest income	-	-	-	-
Miscellaneous	75	-	5,690	9,494
Total revenues	<u>75</u>	<u>137,267</u>	<u>76,955</u>	<u>723,483</u>
<b>Expenditures</b>				
Salary and wages	-	121,366	17,764	169,662
Program operating costs	18	13,767	49,726	109,718
Capital expenditures	-	-	-	-
Total expenditures	<u>18</u>	<u>135,133</u>	<u>67,490</u>	<u>279,380</u>
Excess (deficiency) of revenues over (under) expenditures	<u>57</u>	<u>2,134</u>	<u>9,465</u>	<u>444,103</u>
Other financing sources (uses)				
Transfers in	-	-	-	26,163
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,163</u>
Net change in fund balance	57	2,134	9,465	470,266
<b>Fund balance - July 1</b>	<u>128</u>	<u>2,780</u>	<u>17,119</u>	<u>48,735</u>
<b>Fund balance - June 30</b>	<u>\$ 185</u>	<u>\$ 4,914</u>	<u>\$ 26,584</u>	<u>\$ 519,001</u>

**Town of Hampton, Connecticut**  
Combining Balance sheet and combining Statement of revenues,  
expenditures and changes in fund balances - Non-major permanent funds  
As of and for the year ended June 30, 2015

	Library trust fund	Cemetery trust fund	Dupuis memorial fund	Totals
<b>Assets</b>				
Cash	\$ -	\$ -	\$ 2,319	\$ 2,319
Investments	3,346	1,369	-	4,715
Accounts receivable	-	-	-	-
Inventory	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>3,346</u>	<u>1,369</u>	<u>2,319</u>	<u>7,034</u>
<b>Liabilities</b>				
Accounts payable	-	-	-	-
Other liabilities	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance</b>				
Nonspendable	3,281	1,342	2,000	6,623
Restricted	65	27	319	411
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balance	<u>3,346</u>	<u>1,369</u>	<u>2,319</u>	<u>7,034</u>
Total liabilities and fund balance	<u>\$ 3,346</u>	<u>\$ 1,369</u>	<u>\$ 2,319</u>	<u>\$ 7,034</u>
<b>Revenues</b>				
Property tax revenues	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-
Charges for services	-	-	-	-
Interest income	65	27	-	92
Miscellaneous	-	-	-	-
Total revenues	<u>65</u>	<u>27</u>	<u>-</u>	<u>92</u>
<b>Expenditures</b>				
Salary and wages	-	-	-	-
Program operating costs	12	5	-	17
Capital expenditures	-	-	-	-
Total expenditures	<u>12</u>	<u>5</u>	<u>-</u>	<u>17</u>
Excess (deficiency) of revenues over (under) expenditures	<u>53</u>	<u>22</u>	<u>-</u>	<u>75</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	53	22	-	75
<b>Fund balance - July 1</b>	<u>3,293</u>	<u>1,347</u>	<u>2,319</u>	<u>6,959</u>
<b>Fund balance - June 30</b>	<u>\$ 3,346</u>	<u>\$ 1,369</u>	<u>\$ 2,319</u>	<u>\$ 7,034</u>

**Town of Hampton, Connecticut**  
Combining Statement of fiduciary net position and Statement  
of changes in fiduciary net position - Private purpose trusts  
As of and for the year ended June 30, 2014

	Volunteer fire company trust	Ambulance corp trust	Totals
<b>Assets</b>			
Cash	\$ -	\$ -	\$ -
Investments	25,500	25,500	51,000
Accounts receivable	-	-	-
Inventory	-	-	-
Due from other funds	-	-	-
Total assets	<u>25,500</u>	<u>25,500</u>	<u>51,000</u>
<b>Liabilities</b>			
Accounts payable	-	-	-
Other liabilities	-	-	-
Due to other funds	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net position</b>			
Restricted			
Expendable	500	500	1,000
Non-expendable	25,000	25,000	50,000
Unrestricted	-	-	-
Total net position	<u>25,500</u>	<u>25,500</u>	<u>51,000</u>
Total liabilities and net position	<u>\$ 25,500</u>	<u>\$ 25,500</u>	<u>\$ 51,000</u>
<b>Additions:</b>			
Property tax revenues	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-
Charges for services	-	-	-
Interest income	500	500	1,000
Miscellaneous	-	-	-
Total additions	<u>500</u>	<u>500</u>	<u>1,000</u>
<b>Deductions:</b>			
Salary and wages	-	-	-
Program operating costs	116	116	232
Capital expenditures	-	-	-
Total deductions	<u>116</u>	<u>116</u>	<u>232</u>
Change in net position	384	384	768
<b>Net position - July 1</b>	<u>25,116</u>	<u>25,116</u>	<u>50,232</u>
<b>Net position - June 30</b>	<u>\$ 25,500</u>	<u>\$ 25,500</u>	<u>\$ 51,000</u>

**Town of Hampton, Connecticut**  
Combining Balance sheet and combining Statement of revenues,  
expenditures and changes in fund balances - Small cities program fund  
As of and for the year ended June 30, 2015

	Small cities grant SC1306301	Small cities grant SC1406301	Small cities program income	Totals
<b>Assets</b>				
Cash	\$ 2,918	\$ 2,532	\$ 22,279	\$ 27,729
Investments	-	-	-	-
Accounts and other receivables	31,404	7,073	2,512,027	2,550,504
Inventory	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>34,322</u>	<u>9,605</u>	<u>2,534,306</u>	<u>2,578,233</u>
<b>Liabilities</b>				
Accounts payable	34,322	9,605	-	43,927
Other liabilities	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>34,322</u>	<u>9,605</u>	<u>-</u>	<u>43,927</u>
<b>Fund balance</b>				
Nonspendable	-	-	-	-
Restricted	-	-	2,534,306	2,534,306
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balance	<u>-</u>	<u>-</u>	<u>2,534,306</u>	<u>2,534,306</u>
Total liabilities and fund balance	<u>\$ 34,322</u>	<u>\$ 9,605</u>	<u>\$ 2,534,306</u>	<u>\$ 2,578,233</u>
<b>Revenues</b>				
Property tax revenues	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	337,904	60,373	-	398,277
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	237,871	237,871
Total revenues	<u>337,904</u>	<u>60,373</u>	<u>237,871</u>	<u>636,148</u>
<b>Expenditures</b>				
Salary and wages	-	-	-	-
Program operating costs	327,222	60,373	119,566	507,161
Capital expenditures	-	-	-	-
Total expenditures	<u>327,222</u>	<u>60,373</u>	<u>119,566</u>	<u>507,161</u>
Excess (deficiency) of revenues over (under) expenditures	<u>10,682</u>	<u>-</u>	<u>118,305</u>	<u>128,987</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	10,682	-	118,305	128,987
<b>Fund balance - July 1</b>	<u>-10,682</u>	<u>-</u>	<u>2,416,001</u>	<u>2,405,319</u>
<b>Fund balance - June 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,534,306</u>	<u>\$ 2,534,306</u>

**Town of Hampton, Connecticut**  
Combining Statement of revenues, expenditures, and changes  
in fund balances - Capital non-recurring fund  
As of and for the year ended June 30, 2014

	Fund balance 07/01/14	Annual appropriation	Revenues	Expenditures	Fund balance 06/30/15
<b>General government:</b>					
Capital building maintenance	\$ 143,077	\$ 20,000	\$ 37,440	\$ -138,787	\$ 61,730
Grange building maintenance	2,520	-	1	-	2,521
Revaluation fund	10,105	10,000	-	-	20,105
Open space fund	24,344	20,000	15,705	-6,125	53,924
Land acquisition fund	103,161	10,000	-	-	113,161
	<u>283,207</u>	<u>60,000</u>	<u>53,146</u>	<u>-144,912</u>	<u>251,441</u>
<b>Public safety:</b>					
Fire truck reserve	84,423	25,000	-	-61,073	48,350
Ambulance reserve	12,000	12,000	-	-	24,000
	<u>96,423</u>	<u>37,000</u>	<u>-</u>	<u>-61,073</u>	<u>72,350</u>
<b>Public works:</b>					
General trucks and equipment	21,428	190,000	-	-168,014	43,414
<b>Education:</b>					
School capital fund	53,299	58,983	-	-	112,282
<b>Unclassified</b>					
Uncommitted fund balance	137	-	606	-	743
<b>Totals:</b>	<u>\$ 454,494</u>	<u>\$ 345,983</u>	<u>\$ 53,752</u>	<u>\$ -373,999</u>	<u>\$ 480,230</u>

**Town of Hampton, Connecticut**  
 Schedule of property taxes levied,  
 collections, and outstanding balances  
 For the year ended June 30, 2015

Grand list	Uncollected taxes 06/30/14	Current year taxes levied	Lawful corrections		Net taxes collectable
			Additions	Deductions	
2013	\$ -	\$ 3,722,251	\$ 3,932	\$ -19,230	\$ 3,706,953
2012	45,618	-	6,275	-10,466	41,427
2011	14,891	-	446	-119	15,218
2010	11,151	-	-	-119	11,032
2009	8,001	-	-	-	8,001
2008	5,391	-	-	-	5,391
2007	4,204	-	-	-	4,204
2006	3,172	-	-	-	3,172
2005	1,972	-	-	-	1,972
2004	2,676	-	-	-	2,676
2003	2,567	-	-	-	2,567
2002	1,643	-	-	-	1,643
2001	457	-	-	-	457
2000	1	-	-	-	1
1999	-	-	-	-	-
	<u>\$ 101,744</u>	<u>\$ 3,722,251</u>	<u>\$ 10,653</u>	<u>\$ -29,934</u>	<u>\$ 3,804,714</u>

**Town of Hampton, Connecticut**  
 Schedule of property taxes levied,  
 collections, and outstanding balances  
 For the year ended June 30, 2015

Grand list	Collections during the fiscal year			Total	Adjustments	Uncollected taxes 6/30/15
	Taxes	Interest	Lien fees			
2013	\$ 3,658,958	\$ 14,173	\$ 168	\$ 3,673,299	\$ -	\$ 47,995
2012	22,165	7,917	308	30,390	-3,492	15,770
2011	6,433	1,869	108	8,410	-5,630	3,155
2010	3,350	786	102	4,238	-4,951	2,731
2009	525	477	86	1,088	-4,955	2,521
2008	182	186	-	368	-4,358	851
2007	271	361	-	632	-2,322	1,611
2006	469	700	-	1,169	-1,374	1,329
2005	-	-	-	-	-1,417	555
2004	-	-	-	-	-2,676	-
2003	-	-	-	-	-2,567	-
2002	-	-	-	-	-1,045	598
2001	-	-	-	-	-	457
2000	1	-	-	1	-	-
1999	-	-	-	-	-	-
	<u>\$ 3,692,354</u>	<u>\$ 26,469</u>	<u>\$ 772</u>	<u>\$ 3,719,595</u>	<u>\$ -34,787</u>	<u>\$ 77,573</u>

A - This schedule is in effect designed to be shown on the cash basis of accounting whereas it shows the amount being received against tax years as revenues when in effect they represent a reduction in the outstanding asset account for each tax year outstanding. As a result, the total collections balance shown above will not tie out to the property tax revenue balance on Statement D, Statement E, or Sub-Schedule D. However, the following is a reconciliation of selected balances from this schedule to the amount shown on Statement D, Statement E, and Sub-Schedule D. In addition, the uncollected taxes balances shown above have been netted against credit balance accounts resulting from overpayments not yet refunded. A breakdown of these two amounts can be found in the posted rate book. Also, the above shown adjustments represent current fiscal year transfers to suspense of \$16,805 and balances reclassified to tax acquired property as a result of the town taking possession of property through tax sales of \$17,982. The amounts reclassified to tax acquired property are still included in the posted rate book as of the end of the current fiscal year.

\$ 3,722,251	Current year taxes levied from page 52
26,469	Tax interest collections during the current fiscal year from above
772	Tax lien fee collections during the current fiscal year from above
1,463	Suspense collections during the current fiscal year
-16,805	Account balances transferred to suspense during the current fiscal year from above
-19,281	The net lawful corrections made during the current fiscal year from page 52
7,102	The unearned tax revenue adjustment made as described in item number 2 on page 15
<u>\$ 3,721,971</u>	Property tax revenues per Statement D, Statement E and Sub-Schedule D

B - Operation of Law - No tax can be collected 15 years after the original due date.

C - Taxes transferred (to) and from suspense. Though tax balances are transferred from active status to suspense status they remain collectible. During the current fiscal year \$438 was collected on principal suspense tax balances owed and \$1,025 of interest was collected on principal suspense tax balances owed. In addition, \$0 worth of lawful correction deductions were made to a suspense tax year.

**Town of Hampton, Connecticut**  
 Schedule of debt limitation  
 Connecticut General Statutes, Section 7-374 (b)  
 For the year ended June 30, 2015

Total tax collections (including interest and lien fees) for the current fiscal year.	\$ 3,721,971
Total tax collections (including interest and lien fees) of city, borough and all other taxing districts within the Town for the current fiscal year.	-
Reimbursement for revenue loss on: Tax relief for the elderly - (CGS 12-129d)	<u>15,130</u>
Total base	<u><u>\$ 3,737,101</u></u>

<b><u>Debt limitation:</u></b>	<u>General purposes</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban renewal</u>	<u>Pension deficit</u>
2 1/4 times base	\$ 8,408,477	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	16,816,954	-	-	-
3 3/4 times base	-	-	14,014,129	-	-
3 1/4 times base	-	-	-	12,145,578	-
3 times base	-	-	-	-	11,211,303
Total debt limitation	<u>8,408,477</u>	<u>16,816,954</u>	<u>14,014,129</u>	<u>12,145,578</u>	<u>11,211,303</u>

**Indebtedness:**

Bonds payable	-	-	-	-	-
Bonds authorized and unissued	-	-	-	-	-
Notes payable	-	10,723	-	-	-
Capital leases payable	-	-	-	-	-
Town portion of Regional School District No. 11 outstanding debt	-	-	-	-	-
Accrued compensated balances	<u>3,867</u>	<u>12,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total indebtedness	<u>3,867</u>	<u>22,723</u>	<u>-</u>	<u>-</u>	<u>-</u>

Debt limitation in excess of outstanding and authorized debt	<u><u>\$ 8,404,610</u></u>	<u><u>\$ 16,794,231</u></u>	<u><u>\$ 14,014,129</u></u>	<u><u>\$ 12,145,578</u></u>	<u><u>\$ 11,211,303</u></u>
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Note: In no case shall total indebtedness exceed seven times annual receipts from taxation. The maximum amount permitted under this formula would be \$26,159,707 which is well above the \$26,590 current amount of outstanding and authorized and unissued debt of the Town.



# Stephen T. Hopkins, CPA, PC

## Auditing, Accounting, and Consulting Services

214 Holmes Road / Scarborough, Maine 04074 / Phone: (207) 885 - 5038 / Fax: (207) 470 - 5050

Independent Auditors' Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*

Board of Selectmen  
Town of Hampton, Connecticut

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Hampton, Connecticut, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Hampton, Connecticut's basic financial statements, and have issued our report thereon dated February 25, 2016, which contained unmodified opinions on the governmental activities, each major fund and the aggregate remaining fund information. An adverse opinion was issued on the discretely presented component unit financial statements of the Town of Hampton, Connecticut as it relates to the government-wide financial statement exclusion of the financial information of entities determined to be component units. This adverse opinion is described in more detail in the Independent Auditors' Report which can be found on pages 1 and 2 of the financial statements.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Hampton, Connecticut's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Hampton, Connecticut's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Hampton, Connecticut's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we considered to be significant deficiencies.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We do consider the deficiencies described in the accompanying schedule of findings and questioned costs to be a significant deficiencies. These significant deficiencies are noted in the aforementioned schedule as item numbers 15-01 through 15-07.

## **Compliance and other matters**

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

## **The Town of Hampton, Connecticut's Responses to Findings**

The Town of Hampton, Connecticut's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town of Hampton, Connecticut's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

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

Stephen T. Hopkins, CPA, PC

*Stephen J. Hopkins, CPA, PC*

Scarborough, Maine  
February 25, 2016

**Town of Hampton, Connecticut**  
Schedule of findings and questioned costs  
June 30, 2015

**15-01 - Accounting policies and procedures manual**

Criteria:

The management of the Town is responsible for implementing and maintaining a system of internal controls for which the design of the system would allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

Condition:

As part of the audit I was provided with a copy of a document labeled - Town of Hampton Policies and procedures Accounting Manual. This manual was reviewed to determine that the policies and procedures contained within the manual were approved, when they were approved, the adequacy of the policies and procedures and whether or not it appeared as though the policies and procedures were being followed. In reviewing the manual it does appear as though it is a very comprehensive document which does cover a number of policies and procedures which would be applicable to a municipal finance office. However, it also appears as though the manual does not cover a number of additional accounting policies and procedures which are important in ensuring that the financial information available throughout the fiscal year is accurate and presents the true financial position of the Town. The only account that the manual addresses from a reconciliation point of view are the bank accounts of the Town. Though it is important to have a bank reconciliation policy in place, the current policy does not address the time period in which each account reconciliation should be prepared and reviewed after the applicable period end date. One of the main goals of bank reconciliations is to determine whether or not there are any transactions that have either physically occurred or been recorded in the town's trial balance which are either incorrect or irregular in nature and to research and or correct them in a timely manner. With no time frame referenced in the current policy, there is no assurance that any such items will be detected and or corrected in a timely manner thus providing no assurance that the financial balances of the town at any point in time are accurate and present the true financial picture of the Town. There are no sections within the manual addressing the reconciliation requirements for other asset and liability accounts of the Town such as taxes and other receivables, due to and due from accounts, accounts payables and other payroll withholding accounts. Without a policy in place describing the required reconciliation procedures for these other asset and liability accounts there is no assurance that either the reconciliations are being completed or that the balances as shown on the trial balance are accurate. In addition, there is no section addressing the documentation of revenue and expenditure account detail reviews to ensure that transactions are not mis-posted nor is there any section outlining how the Town will track and account for capital asset purchases and disposals. Though the Town does have a policies and procedures manual, it would appear that in its current form it is incomplete in regard to certain aspects as mentioned above. We do consider this condition to represent a significant deficiency in internal control over financial reporting.

Context and effect:

This type of manual is used to provide a general description of the general functions and specific duties of all personnel involved in the accounting, cash receipting, and bill paying system of the Town. The manual is also used to document the specific steps to be used in all accounting functions such as the processing of cash disbursements, the recording and deposit of cash receipts, the steps necessary to process payroll and the steps to be followed in reconciling certain accounts of the Town. The two main goals of developing and adequately documenting an effective set of accounting policies and procedures is to provide reasonable assurance that the Town's specific objectives will be achieved and to set up a system of internal controls and checks and balances which safeguard the assets of the Town.

Cause and recommendation:

I was unable to determine the cause of the exclusion of the above mentioned accounting policies and procedures in the current form of the aforementioned manual. We do recommend that the manual continue to evolve and implement some of the items noted above that don't appear to have been adequately addressed at this time. In addition, we recommend that all of the policies and procedures within this manual be followed and documented and that periodically a designated individual outside of the municipal finance office review and document the completion of these procedures to ensure that they are being followed and effectively applied.

Views of responsible officials and planned corrective actions:

We have discussed this finding with our auditor and we do agree that the manual in its current form is not complete and does need to be modified to expand on some of the current policies included and to address some of the items noted above that are not currently included in the manual. We also understand that this is an ongoing process and that the items outlined above will be reviewed and any necessary changes will be made to the manual going forward.

**Town of Hampton, Connecticut**  
Schedule of findings and questioned costs (continued)  
June 30, 2015

**15-02 - Preparation of monthly bank account reconciliations**

Criteria:

The management of the Town is responsible for implementing and maintaining a system of internal controls for which the design of the system would allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis in addition to ensuring that the assets of the Town are being safeguarded.

Condition:

Monthly bank statements and account reconciliations were requested for the Hampton Recreation Commission for the current fiscal year and during a review of the provided monthly statements I was unable to determine whether any bank reconciliations were being prepared. If bank reconciliations were being prepared and documented separately from the reconciliation form normally included on the back of bank statements they were not included in the information provided. We do consider this condition to represent a significant deficiency in internal control over financial reporting.

Context:

The Hampton Recreation Commission is accounted for as a special revenue fund of the Town with an annual portion of the tax commitment being transferred to this separate cash account, event revenues and deposits made to this separate cash account and the related expenditures being paid out of this separate cash account. This cash account represents an asset of the Town and therefore certain internal controls should be in place to ensure the safeguarding of this specific asset. Monthly bank reconciliations are a common form of internal controls which are designed to ensure that the cash transactions which have been processed are the same as those that are reflected on the monthly bank statement. An additional related control would be the signing and dating of the bank reconciliation by the individual preparing it to determine by whom the reconciliation was prepared and whether it was prepared in a timely manner. In addition, bank reconciliations should be reviewed by an individual outside of the cash processing function and should be signed and dated by this individual to document the review.

Effect:

Without monthly bank reconciliations being prepared and containing the appropriate documentation regarding by whom and when they were prepared and reviewed, it is difficult to be confident that an accurate financial picture of the assets of the Town is available at all times during the fiscal year. Without an accurate financial picture there can be no reasonable assurance present that the Town's specific objectives are being achieved or that its' specific assets are being safeguarded. In addition, the purpose of a review by an individual outside of the accounting function is to question items and variances that may occur and ensure that they are corrected. An explanation of any such variances that may occur is important in ensuring the safeguarding of the assets of the Town.

Cause:

I am unaware of the specific reason for this condition, however, it could be that the individual responsible for the processing of the cash transactions for this bank account is a volunteer and may lack the available time to complete or adequately document the monthly bank reconciliations.

Recommendation:

We recommend that a more adequate set of policies and procedures be developed and followed to ensure that all monthly bank reconciliations of the Hampton Recreation Commission be prepared, reviewed, signed off on and dated in a timely manner. Also, the individual responsible for reviewing bank reconciliations should not sign off on a reconciliation until such a time as there are no unknown variances being reported.

Views of responsible officials and planned corrective actions:

We have discussed this finding with our auditor and we do agree that monthly bank reconciliations should be prepared and reviewed on all of the cash accounts of the Town. Since the transactions within this cash account are not processed within the finance department of the Town, we have not made it a point to ensure that the bank reconciliation procedures as followed by the Town are also being followed with this cash account. We do plan on reviewing this situation further in order to determine how the internal control procedures currently in place for other Town cash accounts can most effectively be applied to this cash account.

**Town of Hampton, Connecticut**  
Schedule of findings and questioned costs (continued)  
June 30, 2015

**15-03 - Review of monthly bank account reconciliations**

Criteria:

The management of the Town is responsible for implementing and maintaining a system of internal controls for which the design of the system would allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis in addition to ensuring that the assets of the Town are being safeguarded.

Condition:

Separate checking accounts are maintained for the activity of the Hampton Small Cities Program. The monthly bank statements and reconciliations for these accounts were reviewed and it was determined that during the fiscal year the reconciliations for these accounts did not specifically appear to include the signature and date of the individual preparing the reconciliations or the individual reviewing the reconciliations. We do consider this condition to represent a significant deficiency in internal control over financial reporting.

Context:

The Hampton Small Cities Program is accounted for as a major special revenue fund of the Town which is funded through community development block grants and program income related to the payment of rehabilitation program property lien agreements when certain conditions are met. These revenues and the related expenditures represent the activity accounted for within this fund. These cash accounts represent assets of the Town and therefore certain internal controls should be in place to ensure the safeguarding of these specific assets. A common form of internal controls relating to bank reconciliations would be the signing and dating of the bank reconciliation by the individual preparing it to determine by whom the reconciliation was prepared and whether it was prepared in a timely manner. In addition, bank reconciliations should be reviewed by an individual outside of the cash processing function and should be signed and dated by this individual to document the review.

Effect:

Without monthly bank reconciliations containing the appropriate documentation regarding by whom and when they were prepared or in this case more specifically reviewed, it is difficult to be confident that an accurate financial picture of the assets of the Town is available at all times during the fiscal year. Without an accurate financial picture there can be no reasonable assurance present that the Town's specific objectives are being achieved or that its' specific assets are being safeguarded. In addition, the purpose of a review by an individual outside of the accounting function is to question items and variances that may occur and ensure that they are corrected. An explanation of any such items and or variances that may occur is important in ensuring the safeguarding of the assets of the Town.

Cause:

The reason for this condition would appear to be a lack of available time and available resources within and outside of the accounting function of the Town.

Recommendation:

We recommend that a more adequate set of policies and procedures be developed and followed to ensure that all of the monthly bank reconciliations of the cash accounts of the Hampton Small Cities Program be signed and dated when prepared and more specifically when reviewed in a timely manner. Also, the individual responsible for reviewing bank reconciliations should not sign off on a reconciliation until such a time as there are no unknown variances being reported.

Views of responsible officials and planned corrective actions:

We have discussed this finding with our auditor and we do agree that monthly bank reconciliations should contain the appropriate documentation regarding by whom and when they were prepared and more specifically when reviewed for all of the cash accounts of the Town. We do plan on reviewing this situation further in order to determine how the internal control procedures currently in place for other Town cash accounts can most effectively be applied to this cash account.

**Town of Hampton, Connecticut**  
Schedule of findings and questioned costs (continued)  
June 30, 2015

**15-04 - Inadequate segregation of duties**

Criteria:

The management of the Town is responsible for implementing and maintaining a system of internal controls for which the design of the system would allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis in addition to ensuring that the assets of the Town are being safeguarded.

Condition:

In reviewing the cash activity of the separate checking account of the Town Clerk it appears as though all of the cash processing is performed by the Town Clerk with limited or no apparent internal controls in place to govern those processing activities. In reviewing the activity of the town clerk checking account it was determined that all of the deposits made to the account are collected and or received by the town clerk and then deposited by the town clerk and all of the checks written out of this account contain the single signature of the town clerk. Bank reconciliations for this account are prepared by the town clerk though during the fiscal year there did not appear to be any procedures in place by an individual outside of the cash processing function for this account to actually review the bank statements and prepared reconciliations or review whether all of the checks written out of this account contain adequate backup documentation. This situation appears to create a significant lack of segregation of duties as it relates to the cash balances of the Town. We do consider this condition to represent a significant deficiency in internal control over financial reporting.

Context:

This apparent lack of segregation of duties is common in small municipalities where only a small number of individuals are employed by the governmental unit and where separate checking accounts are used to account for activities. However, in order to ensure that the cash balances and in turn the assets of the Town are being safeguarded, an adequate set of internal controls should be developed to address the fact that there are limited resources or processes available due to a small number of employees.

Effect and cause:

Without adequate segregation of duties, it is difficult to be confident that an accurate financial picture of the Town is available at all times during the fiscal year. Without an accurate financial picture there can be no reasonable assurance present that the Town's specific objectives are being achieved or that its' assets are being safeguarded. The reason for this condition would appear to be simply a lack of available resources within the Town which is common for relatively small municipalities.

Recommendation:

We recommend that a more adequate set of policies and procedures be developed to overcome this inherent lack of segregation of duties. In addition, all bank reconciliations prepared on cash accounts of the town should be signed and dated when reviewed by an individual outside of the cash processing function. We also recommend that the Town explore whether the cash deposits and check writing function of this account could somehow be modified so that the individual taking in all of the funds is also not the only individuals writing and signing the checks out of the same account.

Views of responsible officials and planned corrective actions:

We have discussed this finding with our auditor and we do agree that the situation, as described above, does present an apparent lack of segregation of duties as it applies to the town clerk checking account. We do plan on reviewing this situation further in order to determine how an adequate segregation of duties can be achieved given the small size of the Town and the inherent limitations on the time and resources available to the individual responsible for this cash account. Subsequent to the end of the fiscal year the town treasurer has begun reviewing bank reconciliations prepared by the town clerk for this account which we do believe will help alleviate to a certain extent this lack of segregation of duties. In addition, we believe that an adequate system of internal controls can be developed and implemented that could eliminate or further lessen the potential effects of this lack of segregation of duties.

**Town of Hampton, Connecticut**  
Schedule of findings and questioned costs (continued)  
June 30, 2015

**15-05 - Posting of education related activity within the town general ledger**

Criteria:

The management of the Town is responsible for implementing and maintaining a system of internal controls for which the design of the system would allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis in addition to ensuring that the assets of the Town are being safeguarded.

Condition:

The Town and the Board of Education use separate accounting software companies to account for the respective activity during the fiscal year. However, since the Hampton elementary school is in effect a department of the Town the activity relating to the school general fund is recorded within both the school and town accounting software companies. Since the cash account of the school is recorded within the town general ledger, the changes in the account in relation to revenues and expenditures must also be recorded within the town general ledger in order to ensure that the cash, revenue and expenditure balances are accurately reflected during the fiscal year. The state automatically deposits school grant funds into the school checking account rather than sending paper checks. As a result and due to the fact that the school cash account is recorded within the town general ledger, these state school grant revenues need to also be recorded within the towns general ledger. Currently these revenues are credited against the school general fund expenditure account when received and therefore they reflect as a reduction in the school general fund expenditures as they occur. In addition, the Board of Education processes payroll amounts related to school grants as part of their regular bi-weekly payroll which is common. However, these grant related payroll expenditures are debited against the school general fund expenditures account when processed and therefore they reflect as an increase in the school general fund expenditures as they occur. This grant related activity being processed and posted within the town general fund represents actual due to due from activity from a fund accounting point of view. Though the balances of the due to due from amounts recorded on the town general fund and within the school grant accounts are adjusted at the end of the fiscal year, the current processing procedures appear to create a situation whereby the school general fund expenditures recorded within the town general ledger during the fiscal year are not accurate. We do consider this condition to represent a significant deficiency in internal control over financial reporting.

Context:

The current format for processing and recording the school general fund expenditures, school grant revenue and school grant payroll expenditures within the town general ledger currently does not provide the users of the town general fund balances to have an accurate picture of the true school general fund expenditures until the end of the fiscal year which may not allow them to make informed decisions should additional education appropriates be needed or should the use of any remaining surplus balances be requested.

Effect and cause:

Without an adequate system in place to ensure that the information being recorded within the town general ledger is accurate during the fiscal year, it is difficult to be confident that an accurate financial picture of the Town is available at all times during the fiscal year. Without an accurate financial picture there can be no reasonable assurance present that the Town's specific objectives are being achieved or that its' assets are being safeguarded. The reason for this condition would appear to be simply that a certain system for which the town may feel is adequate was set up in the past and continues to be used.

Recommendation:

We recommend that a more adequate system be developed to ensure that only school general fund expenditures are posted to the school general fund expenditure account during the fiscal year. We recommend that school grant revenue received and recorded within the town general ledger be credited to a due to due from liability account and that school grant payroll processed through the regular school payroll be debited to these due to due from liability accounts so that a true balance of what the town general fund owes or is owed from the school grants throughout the fiscal year is readily apparent from a review of the general ledger.

Views of responsible officials and planned corrective actions:

We have discussed this finding with our auditor and we do agree that the current procedures for processing this activity do not present a truly accurate financial picture of the town during the fiscal year. We intend to review the current processing procedures to determine if an alternative procedure can be followed for recording this activity that will better reflect the balances recorded within the town general ledger.

**Town of Hampton, Connecticut**  
Schedule of findings and questioned costs (continued)  
June 30, 2015

**15-06 - Internal control over transfers between funds of the Town**

Criteria:

The management of the Town is responsible for implementing and maintaining a system of internal controls for which the design of the system would allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis in addition to ensuring that the assets of the Town are being safeguarded.

Condition:

During the annual budget process, amounts are included in the proposed budget to be transferred out of the general fund and into other funds of the town. Examples of these types of transfers would be the annual appropriation to the recreation commission and the annual appropriation to the town capital non-recurring fund which are committed for a number of different purposes. In addition, the Board of Education includes within their approved budget an amount which will be used to in effect subsidize the school lunch program. Since the school lunch program is accounted for within a separate fund this amount is shown as a transfer out of the general fund and as transfer into the school lunch program special revenue fund. The proposed budget is approved by the Board of Finance to be presented to the inhabitants of the town at the annual town meeting. As such it would appear that this is the mechanism which is used by the town in order to transfer amounts between funds. During the current fiscal year the Board of Education transferred its calculated remaining unspent budget surplus amount to the capital non-recurring fund to be added to the school capital fund. This transfer would appear to have occurred outside of the established process used by the town in order to transfer amounts between funds. We do consider this condition to represent a significant deficiency in internal control over financial reporting.

Context:

The ability to transfer amounts between funds without either Board of Finance or town meeting approval would appear to have been made outside the established process used by the town. Therefore the established process for deciding whether or not a specific transfer is necessary and appropriate when considering the town as a whole would appear to also not have been followed. As the remaining surplus of all town departments would be considered an asset of the town it would appear as though the use of any such funds should be made in accordance with established procedures that are consistent across all departments.

Effect and cause:

Based on the information provided it would appear that a school capital fund was created within the capital non-recurring fund of the town by the Board of Selectmen at a meeting on January 3, 2005 in order to account for demutualization funds received from the towns health insurance provider. I was not provided with any other Board of Selectmen, Board of Finance or town meeting minutes defining the parameters for which any remaining surplus would be transferred into the fund. With no specific procedures in place to transfer amounts between funds with the exception of the annual town meeting, any transfers made outside of this established process would appear to indicate that a lack of reasonable assurance is present that the objectives of the Town as a whole are being achieved.

Recommendation:

We recommend that specific procedures be developed that define the steps to be taken when amounts are transferred between funds outside of the established annual budget and town meeting approval process. This would ensure that any such transfers have been determined in consideration of the objectives of the Town as a whole and which would apply to all departments within the town which wish to in effect set aside remaining surplus amounts for other long-term spending needs of the department or the town as a whole.

Views of responsible officials and planned corrective actions:

We have discussed this finding with our auditor and we do understand the situation which is being described and we do agree that it would be beneficial to establish a specific set of policies and procedures for transferring amounts between funds which fall outside of the established annual town meeting approval process that would be followed by all of the departments of the town.



**Town of Hampton, Connecticut**  
Schedule of findings and questioned costs (continued)  
June 30, 2015

**15-07 - Internal control over allowable costs charged to certain federal and state awards**

Criteria:

The management of the Board of Education is responsible for implementing and maintaining a system of internal controls for which the design of the system would allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis in addition to ensuring that the assets of the Board of Education and in turn the Town are being safeguarded.

Condition:

In accordance with Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, the total cost of an award is the sum of the allowable direct and allocable indirect costs less any applicable credits. One factor for a cost to be allowable to an award is that it is adequately documented. In addition, any cost allocable to a particular award or other cost objective under these principles may not be shifted to other federal awards to overcome funding deficiencies, or to avoid restriction imposed by law or by the terms of the award. There does not seem to be an adequate system of internal controls in place to ensure that the expenditures charged to certain federal and state awards apply to specific award periods as opposed to simply applying to the specific type of award. We consider this item to be a significant deficiency in addition to potential noncompliance with the guidelines of OMB Circular A-87.

Context:

The Board of Education receives certain grants on an annual basis such as federal entitlement grants and certain state grants. The activity within these grants is either accounted for within the school readiness fund or the school grants fund. These are companies created within the quickbooks accounting program to account for these activities. A further segregation within these two companies is the use of account classes to distinguish between the different grants. Currently, the activity of these annual grants are charged to a single class designation which is associated with the particular type of grant. For example, Title I funds are received in one year under one grant agreement with the expenditure of these funds being applied to a particular class designation. The expenditures of the subsequent Title I funds received under the subsequent grant agreement are charged to the same class designation.

Effect and cause:

This practice does not allow for a determination within the accounting software of the specific expenditures which are charged to each specific grant agreement based on the grant period of the agreement. One year grants would normally not be effected by this as the funds are received and either expended or recorded as liabilities for unspent amounts within the same fiscal year and grant year. However, the Board of Education does receive a number of two year federal grants in which the first and last year of each new grant award overlap. Without being able to adequately and readily determine the specific expenditures which apply to each grant agreement based on the grant period of the agreement as posted within the accounting software, the Board of Education cannot adequately ensure that it is in compliance with the aforementioned provisions of Office of Management and Budget Circular A-87. Any violation of the provisions of this cost principles circular could result in the Board of Education being required to repay grant funds whose specific expenditure could not be determined. Therefore there can be no reasonable assurance present that the Board of Education's specific objectives are being achieved or that its' assets are being safeguarded. The reason for this condition would appear to simply be that the accounting function of the Board of Education has always used one class designation system to account for these grant agreements and has not had the available time or resources to develop an alternative system.

Recommendation:

We recommend that the Board of Education follow all applicable cost principles as they relate to costs being charged to both federal and state award programs and implement a policy which ensures that the specific expenditures of a specific grant agreements based on the specific grant period are readily identifiable within a specific class designation within the accounting software.

Views of responsible officials and planned corrective actions:

We have discussed this finding with our auditor and though we do understand the situation that is being described the Board of Education does feel that the system that is used to segregate and separately report the expenditures of overlapping grant agreements outside of the accounting software is adequate.

# Stephen T. Hopkins, CPA, PC

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## Auditing, Accounting, and Consulting Services

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214 Holmes Road / Scarborough, Maine 04074 / Phone: (207) 885 - 5038 / Fax: (207) 470 - 5050

Independent Auditors Report on Compliance for each major state program and  
Internal control over compliance and the Schedule of expenditures of state  
financial assistance required by the State Single Audit Act

Board of Selectmen  
Town of Hampton, Connecticut

### Report on Compliance for Each Major State Program

We have audited the Town of Hampton, Connecticut's compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Town of Hampton, Connecticut's major state programs for the year ended June 30, 2015. The Town of Hampton, Connecticut's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

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

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Hampton, Connecticut's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Hampton, Connecticut's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Town of Hampton, Connecticut's compliance.

### Opinion on Each Major State Program

In our opinion, the Town of Hampton, Connecticut, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2015.

## **Report on Internal Control Over Compliance**

Management of the Town of Hampton, Connecticut, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Hampton, Connecticut's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Hampton, Connecticut's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Hampton, Connecticut, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Hampton, Connecticut's basic financial statements. We have issued our report thereon dated February 25, 2016, which contained unmodified opinions on the governmental activities, each major fund and the aggregate remaining fund information. An adverse opinion was issued on the discretely presented component unit financial statements of the Town of Hampton, Connecticut as it relates to the government-wide financial statement exclusion of the financial data of entities determined to be component units. This adverse opinion is described in more detail in the Independent Auditors' Report which can be found on pages 1 and 2 of the financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hampton, Connecticut's basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

Stephen T. Hopkins, CPA, PC

*Stephen J. Hopkins, CPA, PC*

Scarborough, Maine  
February 25, 2016

**Town of Hampton, Connecticut**  
Schedule of expenditures of state financial assistance  
For the year ended June 30, 2015

State grantor/pass through Grantor/program title	State grant program Core-CT number	Expenditures
<b><u>Office of Policy and Management:</u></b>		
Payment in lieu of taxes (PILOT) on state owned property	11000-OPM20600-17004-2015	\$ 30,686
Disabled program	11000-OPM20600-17011-2015	532
Property tax relief for elderly and totally disabled homeowners	11000-OPM20600-17018-2015	15,130
Property tax relief for veterans	11000-OPM20600-17024-2015	1,061
Local capital improvement program	12052-OPM20600-40254-2015	28,035
Small town economic assistance program (STEAP)	12052-OPM20870-40530-2013	37,440
<b><u>Department of Education:</u></b>		
Child nutrition program state match	11000-SDE64370-16211-2015	479
Healthy foods initiative	11000-SDE64370-16212-2015	983
Adult education	11000-SDE64370-17030-2015	1,435
School breakfast program	11000-SDE64370-17046-2015	3,019
Assessment reduction grant	11000-SDE64370-12171-2015	7,160
<b><u>Office of Early Childhood:</u></b>		
School readiness	11000-OEC64845-12113-2015	108,900
School readiness quality enhancement	11000-OEC64845-17097-2015	3,790
<b><u>Connecticut State Library:</u></b>		
State Grants to Public Libraries	11000-CSL66051-17003-2015	1,158
Historic document preservation grant	12060-CSL66094-35150-2015	5,000
<b><u>Department of Transportation:</u></b>		
Town aid road grants	12052-DOT57131-43455-2015	188,095
<b><u>Other Departments miscellaneous awards:</u></b>		
Non-budgeted operating appropriation	34001-JUD95162-40001-2015	1,485
Fad temporary holding account	34003-DAG42630-42350-2015	70
Other expenses	11000-DRS16312-10020-2015	20
Total State Financial Assistance before exempt programs		<u>\$ 434,478</u>

**Town of Hampton, Connecticut**  
 Schedule of expenditures of state financial assistance (continued)  
 For the year ended June 30, 2015

State grantor/pass through Grantor/program title	State grant program Core-CT number	Expenditures
Exempt programs		
<b><u>Department of Education:</u></b>		
Transportation for school children	11000-SDE64370-17027-2015	\$ 16,608
Education equalization grants program 82010	11000-SDE64370-17041-2015	1,339,928
<b><u>Office of Policy and Management:</u></b>		
Mashantucket Pequot grant	12009-OPM20600-17005-2015	14,750
Total exempt programs		1,371,286
Total expenditures of State Financial Assistance		\$ 1,805,764

**Town of Hampton, Connecticut**  
Notes to Schedule of expenditures of state financial assistance  
For the year ended June 30, 2015

Various departments and agencies of the State of Connecticut have provided financial assistance to the Town of Hampton, Connecticut through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including but not limited to education, transportation and roads, tax relief, and library programs.

1. Summary of Significant Accounting Policies

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

Basis of Accounting

There are two sets of basic financial statements contained in the Town of Hampton, Connecticut's annual report as required by GASB Statement No. 34. The government-wide financial statements are prepared on the accrual basis of accounting, whereas, the fund financial statements are prepared on the modified accrual basis of accounting. The following is a summary of such bases:

Accrual Basis - Government-wide financial statements:

- Revenues are recognized when they are earned.
- Expenses are recorded when they are incurred.

Modified Accrual Basis - Fund financial statements:

- Revenues are recognized when they become measurable and available. Available includes those property tax receivables expected to be collected within sixty days after year end. Miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received. Intergovernmental revenues, and interest income are accrued, when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available.
- Expenditures are recorded generally when the related fund liability is incurred. This includes reimbursable expenditures which have been incurred by the Town and therefore included in the accompanying schedule of expenditures of state financial assistance but which have not yet been reimbursed and are considered and recorded as accounts receivable. The determination of when an award is expended should be based on when the activity related to the award occurs. Exceptions to this general rule include principal and interest on general long-term debt which is recorded when due.

Prior fiscal year expenditures

The Town received a payment during the current fiscal year in the amount of \$28,877 in relation to a local capital improvement program grant from the Office of Policy and Management. The Core-CT number for this award was 12050-OPM20600-40254. The expenditures related to this grant were incurred during the fiscal year ended June 30, 2014 and therefore they should have been included on the schedule of expenditures of state financial assistance for the fiscal year ended June 30, 2014. These expenditures were not included as such and therefore the expenditure of these funds is being included in the notes to the schedule of expenditures of state financial assistance.

The Schedule of expenditures of state financial assistance, contained in this report, is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-22), certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of expenditures of state financial assistance.

**Town of Hampton, Connecticut**  
 Schedule of findings and questioned costs  
 For the year ended June 30, 2015

**I. Summary of Audit Results**

**Financial Statements**

Type of auditor's report issued: Modified

Internal control over financial reporting:

- |   |                 |     |                 |               |
|---|-----------------|-----|-----------------|---------------|
| • Material weakness (es) identified?                        | <u>        </u> | yes | <u>  X  </u>    | no            |
| • Significant deficiency (ies) identified?                  | <u>  X  </u>    | yes | <u>        </u> | none reported |
| • Noncompliance material to the financial statements noted? | <u>        </u> | yes | <u>  X  </u>    | no            |

**State Financial Assistance**

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

Internal control over major programs:

- |   |                 |     |              |               |
|---|-----------------|-----|--------------|---------------|
| • Material weakness (es) identified?  | <u>        </u> | yes | <u>  X  </u> | no            |
| • Significant deficiency (ies) identified?  | <u>        </u> | yes | <u>  X  </u> | none reported |
| • 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? | <u>        </u> | yes | <u>  X  </u> | no            |

**Major State Programs and percentage of coverage**

- The following schedule reflects the major programs included in the audit. Sec. 4-230 of the Connecticut General Statutes states that a "major state program means any program, excluding an exempt program, determined to be a major state program by the independent auditor pursuant to the requirements of the risk based approach". Under step two of this process all Type A programs must be identified. Based on the Town of Hampton, Connecticut's non-exempt expenditures of state financial assistance amount of \$434,478, a Type A program shall be considered a non-exempt state program for which the amount of state financial assistance expended under the program for the audit period equals or exceeds \$100,000. The Town of Hampton has two Type A programs for the current fiscal year based on the \$100,000 dollar threshold and therefore all of its remaining programs would be considered Type B programs. The Town has three Type B programs for which a risk assessment must be performed considering the Type B programs with expenditures in excess of \$25,000.
- In accordance with Subpart A of the risk assessment procedures, the following considerations have been applied to the Type A programs of the Town to determine whether they should be considered high risk: The dollar value of the applicable transactions, the complexity of the requirements of the program and as compared to other programs of the Town, whether the program has been tested as major during at least one of the two most recent audit periods and an assessment based on professional judgement. The Town's two Type A programs were determined to be high-risk and therefore were audited as major programs. The three Type B programs of the Town for which a risk assessment was required were determined not to be high-risk and thus were not audited as major programs. The total non-exempt state financial assistance expended by the Town for the current audit period was \$434,478. The programs tested as major and shown below represent approximately 68% of the total non-exempt state financial assistance expended.

State grantor and program	State grant program Core-CT number	Expenditures
School readiness	11000-OEC64845-12113-2015	\$ 108,900
Town aid road grants	12052-DOT57131-43455-2015	188,095
		\$ 296,995

- Dollar threshold used to distinguish between Type A and Type B programs: \$ 100,000

**Town of Hampton, Connecticut**  
Schedule of findings and questioned costs (continued)  
For the year ended June 30, 2015

**II. Financial Statement Findings**

- We issued our report, dated February 25, 2016, on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
- Our report on internal control over financial reporting indicated seven significant deficiencies. The details of these significant deficiencies can be found in the schedule of findings and questioned costs labeled as item numbers 15-01 through 15-07 starting on page 57. We do not consider any of these significant deficiencies to be material weaknesses.
- Our report on compliance and other matters indicated no reportable instances of noncompliance.

**III. State Financial Assistance Findings and Questioned Costs**

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