

Town of Hampton, Connecticut

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

For the Year Ended June 30, 2011

**Town of Hampton, Connecticut
Financial Statements
For the Year Ended June 30, 2011**

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Financial Statements
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Independent Auditors' Report

Board of Selectmen
Town of Hampton, Connecticut
Hampton, Connecticut

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Hampton, Connecticut as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Hampton, Connecticut's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Hampton, Connecticut as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America (GAAP).

As described in Note 1, the Town has implemented authoritative accounting pronouncements promulgated by the Governmental Accounting Standards Board (GASB) *Statement 54, Fund Balance Reporting, Governmental Fund Type Definitions* and *Statement 59, Financial Instruments Omnibus*.

Independent Auditors' Report (Continued)

In accordance with Government Auditing Standards, we have also issued our report dated October 09, 2011 on our consideration of the Town of Hampton, Connecticut's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in a an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

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 combining and individual fund financial statements and supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Marion + Company

October 09, 2011

**Town of Hampton, Connecticut
Management's Discussion and Analysis
June 30, 2011**

Our discussion and analysis of the Town of Hampton, Connecticut's (the Town) financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the Town's financial statements, which begin with Exhibit 1.

FINANCIAL HIGHLIGHTS

- The Town's net assets increased by \$529,657 during the year.
- The Town's fund balance increased by \$338,344.

USING THIS ANNUAL REPORT

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

Reporting the Government as a Whole

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

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

In the Statement of Net Assets and the Statement of Activities, the Town shows the following activities- The Town's basic services are reported here, including the education, public works, and general administration. Property taxes, state and federal grants and local revenues such as fees and licenses finance most of these activities.

Town of Hampton, Connecticut
Management's Discussion and Analysis
June 30, 2011

Reporting the Town's Most Significant Funds

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

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

The Town as Trustee

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

THE TOWN AS A WHOLE

The Town's *combined* net assets increased by \$529,657 from a year ago—*increasing* from \$8,207,078 to \$8,736,735. Last year net assets *increased* by \$66,935. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town. Net assets invested in capital assets increased by \$314,651. The increase is largely due to construction in progress and the purchase of buildings and improvements. Long-term debt increased by \$590,390 due to the addition of a note payable for the Town Garage and increases in Other Post Employment Benefits as required by GASB 45, newly implemented in the prior fiscal year.

**Town of Hampton, Connecticut
Management's Discussion and Analysis
June 30, 2011**

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

	2011	Change During Year		2010
		Dollars	Percent	
Current and other assets	\$ 4,384,721	\$ 481,331	12.33%	\$ 3,903,390
Capital assets	5,628,829	735,457	15.03%	4,893,372
Total assets	<u>10,013,550</u>	<u>1,216,788</u>	<u>13.83%</u>	<u>8,796,762</u>
Long-term debt outstanding	816,643	590,390	260.94%	226,253
Other liabilities	460,172	95,809	26.29%	364,363
Total liabilities	<u>1,276,815</u>	<u>686,199</u>	<u>116.18%</u>	<u>590,616</u>
Net assets:				
Invested in capital assets, net of related debt	5,171,259	314,651	6.48%	4,856,608
Restricted				
Expendable	2,122,665	301,947	16.58%	1,820,718
Nonexpendable	54,563	49,996	1094.72%	4,567
Unrestricted	1,388,248	(136,937)	-8.98%	1,525,185
Total net assets	<u>\$ 8,736,735</u>	<u>\$ 529,657</u>	<u>6.45%</u>	<u>\$ 8,207,078</u>

**Table 2
Change in Net Assets (on Exhibit 2)**

	2011	Change During Year		2010
		Dollars	Percent	
Revenues				
Program revenues:				
Charges for services	\$ 220,050	\$ 63,519	40.58%	\$ 156,531
Operating grants and contributions	2,235,495	297,091	15.33%	1,938,404
Capital grants and contributions	372,418	289,094	346.95%	83,324
General revenues:				
Property taxes	4,016,136	164,209	4.26%	3,851,927
Grants and contributions	14,255	(1,140)	-7.41%	15,395
Interest and investment earnings	6,795	(223)	-3.18%	7,018
Gain (loss) on disposal of equipment	14,028	(3,016)	-17.70%	17,044
Other general revenues	12,280	(13,489)	-52.35%	25,769
Total revenues	<u>6,891,457</u>	<u>796,045</u>	<u>13.06%</u>	<u>6,095,412</u>
Program expenses				
General government	761,866	121,314	18.94%	640,552
Public safety	169,976	31,759	22.98%	138,217
Public works	696,893	124,685	21.79%	572,208
Education	4,725,372	47,872	1.02%	4,677,500
Interest on long-term debt	7,693	7,693	100.00%	-
Total expenses	<u>6,361,800</u>	<u>333,323</u>	<u>5.53%</u>	<u>6,028,477</u>
Increase (decrease) in net assets	<u>\$ 529,657</u>	<u>\$ 462,722</u>	<u>691.30%</u>	<u>\$ 66,935</u>

The Town's total revenue increased 13.06% (\$796,045) this year over last year. Most of this was due to a 40.58% (\$63,519) increase in charges for services, a 15.33% (\$297,091) increase in operating grants and contributions and a 346.95% (\$289,094) increase in capital grants and contributions. In the current year the Town received \$250,000 of funding under the Small Town Economic Assistance that was not received in the prior year. In addition the Town received a Community Development Block Grant in the amount of \$352,350 in the current year compared to \$77,691 in the prior year.

**Town of Hampton, Connecticut
Management's Discussion and Analysis
June 30, 2011**

There were increases in property taxes and these increases were offset by decreases in grants and contributions, gain on disposal of equipment and interest and investment earnings. The decreases can be attributed to the continued slowing down of the economy.

Total expenses increased by \$333,323 or 5.53%. Increases in general government spending of \$121,314 (18.94%) resulted from an increase in Other Post Employment Benefits as required by GASB 45. Increases in public works spending of \$124,685 (21.79%) resulted from road paving costs which did not qualify as capital expenses and were included as public works costs.

Governmental Activities

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

**Table 3
Governmental Type Activities**

	Total Cost of Services			Incr. Decr.	Net Cost of Services		
	2011	2010			2011	2010	Incr. Decr.
Governmental Activities							
General government	\$ 761,866	\$ 640,552	18.94%	\$ (59,660)	\$ 451,233	-113.22%	
Public safety	169,976	138,217	22.98%	169,976	138,217	22.98%	
Public works	696,893	572,208	21.79%	551,598	421,190	30.96%	
Education	4,725,372	4,677,500	1.02%	2,864,230	2,839,578	0.87%	
Interest on debt	7,693	-	100.00%	7,693	-	100.00%	
Totals	\$ 6,361,800	\$ 6,028,477	5.53%	\$ 3,533,837	\$ 3,850,218	-8.22%	

The total cost and net cost of all governmental activities increased by only 5.53% and decreased by 8.22% respectively. The total cost of the general government increased 18.94% while the net costs *decreased* 113.22% due to increases in revenue from charges for services, and both operating and capital grants and contributions. Increases in public works costs of 21.79% and net costs of 30.96% are due to road paving costs that did not qualify for capitalization and therefore are included in current year expenses.

THE TOWN'S FUNDS

The year showed an increase in net assets of \$529,657 in the government-wide statements (Exhibits 1 and 2) on the full accrual basis measuring long-term health. The town showed an increase in the governmental funds of \$338,344 as presented in Exhibits 3 and 4. These statements are on the modified accrual basis and are more a measure of short-term health. The increase is due to additional operating and capital grants received. The Town received \$352,350 for Community Development Block Grants in the current year compared to \$77,691 in the prior year. The Town also received a \$250,000 STEAP grant that was not received in the prior year.

**Town of Hampton, Connecticut
Management's Discussion and Analysis
June 30, 2011**

In the fund financial statements principal payments on long-term debt are a reduction in fund balance when the payments on the debt are made. Debt payments are never a direct reduction in net assets on the government-wide statements. Likewise, purchases of capital assets are a reduction in fund balance when the purchase is made. Capital asset purchases are never a direct reduction in net assets on the government-wide statements.

General Fund Budgetary Highlights

Over the course of the year, the Board of Selectmen can revise the Town budget with additional appropriations and budget transfers. Additional appropriates increase the total budget. The Board of Finance is allowed by State Statute to make one additional appropriations up to \$20,000 per line item or department. A second additional appropriation or an appropriation over \$20,000 requires a Town Meeting. Transfers do not increase the total budget, but instead pull appropriations from one department that needs additional funding from other departments that might have excess funding. State Statutes allow these transfers to be made by the Board of Selectmen without a Town Meeting. Below is a summarized view of the final budget and actual results for the General Fund:

The Town passed a budget including additional appropriations with expenditures \$20,882 higher than the expected revenues. Ultimately, the budget showed revenues higher than expenditures by \$313,288. This was \$334,170 better than expected.

Revenues were \$262,889 higher than budgeted. The town's tax collections were \$152,145 higher than budgeted and Intergovernmental revenues were \$9,260 lower than budgeted largely due to a reduction in School Transportation and Local Capital Improvement funding.

The local revenues were \$120,004 higher than budgeted due largely to building permits exceeding the budget by \$47,590. In addition the town received \$50,000 and \$11,925 for Donations and Youth Sports fees, respectively that were not budgeted.

The general government and board of education worked hard to keep expenditures at a minimum due to the current economic conditions.

**Table 4
General Fund - Budget Summary**

	Final Budget	Actual	Variance
Revenues			
Property Taxes	\$ 3,783,495	\$ 3,935,640	\$ 152,145
Intergovernmental	1,588,591	1,579,331	(9,260)
Local Revenue	115,801	235,805	120,004
	<u>5,487,887</u>	<u>5,750,776</u>	<u>262,889</u>
Expenditures			
General Government	1,460,280	1,407,297	52,983
Capital Outlay	112,300	112,300	-
Education	3,936,189	3,917,891	18,298
	<u>5,508,769</u>	<u>5,437,488</u>	<u>71,281</u>
Increase (Decrease) in Fund Balance	<u>\$ (20,882)</u>	<u>\$ 313,288</u>	<u>\$ 334,170</u>

**Town of Hampton, Connecticut
Management's Discussion and Analysis
June 30, 2011**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of this year, the Town had \$541,685 invested in land which remained the same as in the prior year. The Town has \$954,862 invested in construction in progress an increase of \$954,862 over the prior year. The Town had \$8,033,991 invested in depreciable assets - buildings, improvements, vehicles, equipment, and infrastructure at the end of this year. This amount represents a net increase (including additions and deductions) of \$40,200 from last year. This is primarily due to building and improvements purchases. More detailed information about the Town's capital assets is presented in Note 6 to the financial statements.

Debt

At year end, the Town had no bonds outstanding. This is unchanged from last year. More detailed information about the Town's long-term liabilities is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Management is not expecting any increased funding from State grants and is concerned that state funding may be further reduced. The state is having a hard time balancing its own budget due to a decrease in income, sales and other taxes. The Education Cost Sharing Grant, the Town's largest grant at \$1,146,756 will no longer be supplemented by federal stimulus funds but is expected to increase to \$1,337,582 for 2011-2012. Overall Intergovernmental revenue is expected to decrease by only \$20,334 in 2011-2012.

Local revenues for 2011-2012 are budgeted to be \$5,796 less than 2010-2011 primarily due to the reduction in interest income.

With the only other significant source of revenue being property taxes, management worked hard to keep expenses down so taxes would not need to increase significantly. The Town expenditures budget went up by \$62,048. Decreases in Administration (\$37,425), Education (\$10,531) Sanitation (\$9,000) and Capital and Nonrecurring (\$27,300) were offset by increases in Debt Service (\$141,900).

Tax revenue was budgeted to decrease .67% (\$25,322) from 2010-2011 to 2011-2012 with the Mill Rate decreasing from 25.8 to 24.8 mills for a decrease of 1.0 mills.

Lastly the budget for 2011-2012 is not balanced. Revenues do not cover expenditures. Management expects to use \$113,500 of Fund Balance to balance the 2011-2012 budget. This will maintain the equity as a percentage of expenditures at about 17% and provide a cushion against the bad economy.

**Town of Hampton, Connecticut
Management's Discussion and Analysis
June 30, 2011**

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Selectmen at Town of Hampton, Connecticut, 164 Main Street, Hampton, CT 06247.

Town of Hampton, Connecticut
Statement of Net Assets
June 30, 2011

ASSETS	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 2,193,060
Receivables, net of allowance for collection losses	2,188,783
Prepaid expenses	2,213
Inventory	665
Capital assets:	
Nondepreciable	1,496,547
Depreciable, net of accumulated depreciation	<u>4,132,282</u>
Total assets	<u>10,013,550</u>
LIABILITIES	
Accounts payable	168,144
Accrued wages and benefits	98,652
Deferred revenue	187,215
Accrued interest	6,161
Noncurrent liabilities:	
Due within one year	133,556
Due in more than one year	<u>683,087</u>
Total liabilities	<u>1,276,815</u>
NET ASSETS	
Invested in capital assets, net of related debt	5,171,259
Restricted net assets:	
Expendable	2,122,665
Nonexpendable	54,563
Unrestricted net assets	<u>1,388,248</u>
Total net assets	<u><u>\$ 8,736,735</u></u>

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

**Town of Hampton, Connecticut
Statement of Activities
For the Year Ended June 30, 2011**

	Program Specific Revenues				Net (Expense) Revenue
	Charges for Services	Grants and Contributions Operating	Capital	Total Government Activities	
Functions/Programs					
Governmental activities:					
General government	\$ (761,866)	\$ 126,172	\$ 392,987	\$ 302,367	\$ 59,660
Public Safety	(169,976)	-	-	-	(169,976)
Public Works	(696,893)	18,916	95,354	31,025	(551,598)
Education	(4,725,352)	74,962	1,747,154	39,026	(2,864,210)
Interest on long-term debt	(7,693)	-	-	-	(7,693)
Total primary government	\$ (6,361,780)	\$ 220,050	\$ 2,235,495	\$ 372,418	(3,533,817)
General revenues:					
Property taxes, payments in lieu of taxes, interest and liens					4,016,136
Grants and contributions					14,255
Interest and investment earnings					6,795
Gain (loss) on disposal of equipment					14,028
Miscellaneous					12,260
Total general revenues					4,063,474
Changes in net assets					529,657
Net assets, beginning of the year					8,207,078
Net assets, end of the year					\$ 8,736,735

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

Town of Hampton, Connecticut
Balance Sheet
Governmental Funds
June 30, 2011

	General Fund	Community Development Block Grant Fund	Capital Non- Recurring Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 1,156,638	\$ 398,805	\$ 526,693	\$ 110,924	\$ 2,193,060
Receivables	244,969	1,897,059	41,301	5,454	2,188,783
Inventory	-	-	-	665	665
Due from other governmental funds	214,423	-	6,516	-	220,939
Prepaid expenditures	2,213	-	-	-	2,213
Total assets	\$ 1,618,243	\$ 2,295,864	\$ 574,510	\$ 117,043	\$ 4,605,660
Liabilities and fund balance					
Liabilities					
Accounts payable	\$ 34,662	\$ 18,181	\$ 114,759	\$ 542	\$ 168,144
Accrued expenses	98,652	-	-	-	98,652
Deferred revenue	228,222	179,809	2,275	7,406	417,712
Due to other governmental funds	-	-	141,199	79,740	220,939
Total liabilities	361,536	197,990	258,233	87,688	905,447
Fund balance					
Nonspendable	56,776	-	-	665	57,441
Restricted	7,120	2,097,874	5,328	12,343	2,122,665
Committed	-	-	147,489	-	147,489
Assigned	213,500	-	163,460	16,347	393,307
Unassigned	979,311	-	-	-	979,311
Total fund balance	1,256,707	2,097,874	316,277	29,355	3,700,213
Total liabilities and fund balance	\$ 1,618,243	\$ 2,295,864	\$ 574,510	\$ 117,043	

Reconciliation of net assets to fund balances - total governmental funds:

Less: Long-term liabilities not due and payable in current period:

Bonds, notes, capital leases payable and unamortized premiums on bond costs (457,570)

Compensated absences, special termination benefits and other post employment benefits (359,073)

Accrued interest payable (6,161)

Plus:

Net capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds 5,628,829

Other long-term assets not available to pay for current period expenditures, recorded as deferred revenue in the funds 230,497

Net assets reported on the Government-Wide Financial Statements (Exhibit 1)**\$ 8,736,735**

Town of Hampton, Connecticut
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	General Fund	Community Development Block Grant Fund	Capital Non- Recurring Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes, interest and lien fees	\$ 3,935,640	\$ -	\$ -	\$ -	\$ 3,935,640
Intergovernmental revenues	1,761,370	352,350	289,118	188,169	2,591,007
Local revenues	235,785	2,106	3,718	70,774	312,383
	<u>5,932,795</u>	<u>354,456</u>	<u>292,836</u>	<u>258,943</u>	<u>6,839,030</u>
Expenditures					
Current expenditures:					
General government	602,064	77,300	-	16,950	696,314
Public Safety	143,077	-	-	-	143,077
Public Works	623,082	-	-	-	623,082
Education	4,105,540	-	-	295,242	4,400,782
Capital outlay	-	-	1,087,431	-	1,087,431
	<u>5,473,763</u>	<u>77,300</u>	<u>1,087,431</u>	<u>312,192</u>	<u>6,950,686</u>
Excess (deficiency) of revenues over expenditures	<u>459,032</u>	<u>277,156</u>	<u>(794,595)</u>	<u>(53,249)</u>	<u>(111,656)</u>
Other financing sources (uses)					
Proceeds from loan	-	-	450,000	-	450,000
Operating transfers in	-	-	118,816	50,170	168,986
Operating transfers out	(162,470)	-	-	(6,516)	(168,986)
	<u>(162,470)</u>	<u>-</u>	<u>568,816</u>	<u>43,654</u>	<u>450,000</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>296,562</u>	<u>277,156</u>	<u>(225,779)</u>	<u>(9,595)</u>	<u>338,344</u>
Fund balance, beginning of the year	<u>960,145</u>	<u>1,820,718</u>	<u>542,056</u>	<u>38,950</u>	<u>3,361,869</u>
Fund balance, end of the year	<u>\$ 1,256,707</u>	<u>\$ 2,097,874</u>	<u>\$ 316,277</u>	<u>\$ 29,355</u>	<u>\$ 3,700,213</u>
Reconciliation of the statement of revenues, expenditures and changes in fund balances (above) to the statement of activities (Exhibit 2)					
Net change in fund balances - total governmental funds (above)					\$ 338,344
Transactions involving the treatment of capital outlays:					
Plus: Capital outlays treated as expenditures here, but capitalized on Exhibit 2					995,062
Less: Depreciation expense recorded in Exhibit 2, but not considered in the fund statements					(259,605)
Transactions involving the treatment of long-term debt:					
Less: Long-term debt issued or incurred:					
Notes issued					(450,000)
Plus: Principal repayments:					
Capital lease financing					29,194
Changes in other items not requiring the use of current financial resources:					
Compensated absences					3,922
Other post employment benefits					(173,506)
Accrued interest payable					(6,161)
Revenue in the Statement of Activities (Exhibit 2) that is deferred in this statement:					
Taxes, interest and lien fees					22,019
Other					30,388
Changes in net assets of governmental activities (Exhibit 2)					<u>\$ 529,657</u>

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

**Town of Hampton, Connecticut
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011**

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	<u>\$ 18,648</u>
Liabilities	
Due to students	<u>18,648</u>
Net assets	<u><u>\$ -</u></u>

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

Town of Hampton, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 1 - Summary of Significant Accounting Policies

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

A. Reporting entity

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

B. Government-wide and fund financial statements

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

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

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

Town of Hampton, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2011

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

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

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

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

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

The Town reports the following major governmental funds:

- The *General Fund* is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- *Community Development Block Grant Fund* is used to account for a Federal grant. This grant funds interest-free loans for low to moderate income citizens to make necessary improvements to their homes.
- The *Capital Nonrecurring Fund* accounts for the accumulation of assets for expenditures against the five year capital improvement plan.

Additionally, the Town reports the following fiduciary fund types:

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

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

Town of Hampton, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2011

D. Assets, liabilities, and net assets

1) Deposits and investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments for the Town are generally reported at fair value. Nonparticipating, interest-earning investment contracts are generally reported at cost plus accrued earnings.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town's policy for custodial credit risk is to invest in obligations allowable under the Connecticut General Statutes. In general for most of the funds, this includes deposits in allowable banks, obligations of the United States of America and obligations of any State or political subdivision, which is tax exempt. Certain Fiduciary Funds are allowed more flexibility in investing.

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

Interest Rate Risk – Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. Generally, the Town does not invest in any long-term investment obligations.

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

2) Receivables

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

Town of Hampton, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2011

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

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

3) Activity between funds

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

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

4) Inventories and prepaid items

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

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

5) Capital assets

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

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

**Town of Hampton, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2011**

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

Assets	Years	Capitalization Threshold
Land	N/A	\$ 5,000
Buildings	40	\$ 5,000
Heavy Equipment	10	\$ 5,000
Vehicles	10	\$ 5,000
Equipment	10	\$ 5,000
Infrastructure	40	\$ 5,000

6) *Compensated absences*

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

7) *Long-term obligations*

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

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

Town of Hampton, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2011

8) Fund equity

Fund equity for government-wide statements (Exhibits 1 and 2) is called Net Assets and is displayed in three components:

Invested in Capital Assets, Net of Related Debt – this consists of capital assets, including *restricted* capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – these are reported when constraints placed on net asset use are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or, (b) imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – is the residual classification of Net Assets. When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the Town's policy is to use its restricted resources first.

Fund equity for governmental funds (Exhibits 3 and 4) is called Fund Balance and is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the Town's policy is to use its restricted resources first. This will be followed by committed, assigned and unassigned resources in that order.

Nonspendable Fund Balance - includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – includes amounts that have constraints placed on the use of resources. These constraints must be either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action at a Town Meeting, and cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned Fund Balance – are amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed through a formal action of the Board of Selectmen.

Town of Hampton, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2011

Unassigned Fund Balance - unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

C. Estimates

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

D. Subsequent Events

Subsequent events have been evaluated through the date of this report, October 09, 2011. This date represents the date that the financial statements were available to be issued.

E. Changes in Financial Statements

New Statements Implemented - The Town implemented Governmental Accounting Standards Board (GASB):

- *Statement 54 – Fund Balance Reporting and Governmental Fund Type Definitions* – This statement provides clearer fund balance classifications that can be more consistently applied. This resulted in no adjustment to beginning equity.
- *Statement 59 – Financial Instruments Omnibus* – This statement updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. This resulted in no adjustments to beginning equity.

Other Changes – The Town combined certain small funds, previously reported as Permanent Funds, into the Nonspendable Fund Balance in the General Fund.

Note 2 - Budgeting

A. Budget basis

A formal, legally approved, annual budget is adopted for the General Fund only. This budget is adopted on a basis consistent with Generally Accepted Accounting Principles (modified accrual basis) with the following exceptions:

Town of Hampton, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2011

- **Teacher's retirement** - The Town does not recognize as income or expenditures payments made for the teacher's retirement by the State of Connecticut on the Town's behalf in its budget. The Governmental Accounting Standards Board's Statement 24 requires that the employer government recognize payments for salaries and fringe benefits paid on behalf of its employees.
- **Encumbrances** - Unless committed through a formal encumbrance (e.g., purchase orders, signed contracts), all annual appropriations lapse at fiscal year end. Encumbrances outstanding at year end are reported on the budgetary basis statements as expenditures.
- **Long-term debt and lease financing** - Revenues and expenditures from refunding or renewing long-term debt or issuing lease financing are included in the budget as the net revenues or expenditures expected.
- **Cash basis payroll** - Payroll is budgeted based on when it is expected to be paid. On the statements prepared under Generally Accepted Accounting Principles, payroll is charged to the fiscal year in which it is earned.

B. Budget calendar

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

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

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

C. Budget control

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

**Town of Hampton, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2011**

The governing body may amend the annual budget subject to the requirements of the Connecticut General Statutes. The Board of Selectmen may make a one time additional appropriation up to \$20,000 to any appropriations. A Town meeting must be called to make appropriations over \$20,000 or additional changes to a previously adjusted appropriation. During the year \$20,882 of additional appropriations were made.

Note 3 – Deposits and Investments

A. Cash and cash equivalents

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

Governmental Funds	\$ 2,193,060
Agency Funds	18,648
Total Cash and Cash Equivalents	<u>\$ 2,211,708</u>

B. Custodial credit risk on deposits

As of June 30, 2011, the carrying amount of the Town’s deposits with financial institutions was:

Deposits	\$ 1,639,026
Plus: External Investment Pools treated as cash and cash equivalents	572,682
Total Cash and Cash Equivalents	<u>\$ 2,211,708</u>

The bank balance of the deposits was \$1,722,770 and exposed to custodial credit risk as follows:

Covered by Federal Depository Insurance	\$ 1,119,320
Uninsured and uncollateralized	603,450
Total Deposits	<u>\$ 1,722,770</u>

C. External investment pools treated as cash and cash equivalents

The pooled investment funds’ risk category cannot be determined since the Town does not own identifiable securities but invests as a shareholder of the investment pool. The pool, Short-Term Investment Fund (STIF), is a money market investment pool managed by the Cash Management Division of the State Treasurer’s Office created by Section 3-27 of the Connecticut General Statutes (CGS). Pursuant to CGS 3-27a through 3-27f, the State, municipal entities, and political subdivisions of the State are eligible to invest in the fund. The fund is considered a “2a7-like” pool and, as such, reports its investments at amortized cost (which approximates fair value). A 2a7-like pool is not necessarily registered with the Security and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s rule 2a7 of the Investment Company Act of 1940 that allows money market mutual funds to use the amortized cost to report net assets. The pool is rated AAAM by Standard & Poor. This is the highest rating for money market funds and investment pools.

**Town of Hampton, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 4 - Receivables

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

	General Fund	Community Development Block Grant	Capital Nonrecurring Fund	Other Governmental Funds
Taxes, interest and lien fees (1)	\$ 234,123	\$ -	\$ -	\$ -
Intergovernmental	31,025	-	41,301	5,454
Notes receivable *	-	1,897,059	-	-
Other	7,758	-	-	-
Gross receivables	272,906	1,897,059	41,301	5,454
Less: allowance for uncollectibles	(27,937)	-	-	-
Net total receivables	<u>\$ 244,969</u>	<u>\$ 1,897,059</u>	<u>\$ 41,301</u>	<u>\$ 5,454</u>

*a portion of these are considered long-term

(1) Note: One taxpayer owes 11% of the total due

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

	Unavailable	Unearned
Delinquent net property taxes, interest and liens receivable	\$ 195,942	\$ -
Long-term housing rehabilitation drawdowns	-	179,809
Other receivables not received in 60 days	34,555	-
Grant drawdowns prior to meeting all eligibility requirements	-	7,406
Total deferred/unearned revenue for governmental funds	<u>\$ 230,497</u>	<u>\$ 187,215</u>

Note 5 - Interfund Activities

A. Advance to/from other funds

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

Town of Hampton, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2011

B. Due to/from other funds

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

Receivable Fund	Payable Fund	Amount
Special Revenue - Capital Nonrecurring	Special Revenue - Latchkey / Preschool	\$ 6,516
General Fund	Special Revenue - Capital Nonrecurring	\$ 141,199
General Fund	Special Revenue - Special Ed Grants	28,679
General Fund	Special Revenue - Child Nutrition Fund	7,595
General Fund	Special Revenue - School Readiness	36,950
		<u>\$ 220,939</u>

C. Interfund transfers

Fund transfers are generally used to fund special projects with general fund revenues as follows:

	Transfers in to:		
	Capital	Other	Total
	Nonrecurring Fund	Governmental Funds	
Transfers out of:			
General Fund	\$ 104,300	\$ 50,170	\$ 154,470
Other Governmental Funds	6,516	-	6,516
Total transfers out	<u>\$ 110,816</u>	<u>\$ 50,170</u>	<u>\$ 160,986</u>

Note 6 - Capital Assets

Capital asset activity for the year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 541,685	\$ -	\$ -	\$ 541,685
Construction in progress	-	954,862	-	954,862
	<u>541,685</u>	<u>954,862</u>	<u>-</u>	<u>1,496,547</u>
Capital assets being depreciated:				
Buildings and improvements	5,582,722	40,200	-	5,622,922
Heavy equipment	113,659	-	-	113,659
Vehicles	1,158,600	-	-	1,158,600
Other equipment	268,198	-	-	268,198
Infrastructure	870,612	-	-	870,612
	<u>7,993,791</u>	<u>40,200</u>	<u>-</u>	<u>8,033,991</u>
Less: Accumulated depreciation:	<u>(3,642,104)</u>	<u>(259,605)</u>	<u>-</u>	<u>(3,901,709)</u>
	<u>4,351,687</u>	<u>(219,405)</u>	<u>-</u>	<u>4,132,282</u>
Capital assets, net	<u>\$ 4,893,372</u>	<u>\$ 735,457</u>	<u>\$ -</u>	<u>\$ 5,628,829</u>

**Town of Hampton, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Depreciation expense was charged to functions/programs as follows:

General government	\$ 18,422
Public Safety	63,803
Public Works	40,241
Education	137,139
Total depreciation expense - governmental activities	<u>\$ 259,605</u>

Note 7 – Long-Term Debt

A. Changes in long-term liabilities

Long-term liability activity for the year June 30, 2011, was as follows:

	Opening Balance	Additions	Reductions	Ending Balance	Due Within One Year
Note Payable - Town Garage	\$ -	\$ 450,000	\$ -	\$ 450,000	\$ 121,756
Other Post Employment Benefits	162,507	173,506	-	336,013	-
Capital Lease	36,764	-	(29,194)	7,570	7,570
Compensated Absences	4,560	-	(2,422)	2,138	2,138
Special Termination Benefits	22,422	-	(1,500)	20,922	2,092
	<u>\$ 226,253</u>	<u>\$ 623,506</u>	<u>\$ (33,116)</u>	<u>\$ 816,643</u>	<u>\$ 133,556</u>

B. Debt limitations under Connecticut State Statutes

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

Total tax collections (including interest and lien fees) for the year	\$ 3,929,580
Reimbursements for revenue loss on tax relief for the elderly (C.G.S. 12-129d)	17,079
Debt limitation base	<u>\$ 3,946,659</u>

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation:					
2 1/4 times base	\$ 8,879,983	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	17,759,966	-	-	-
3 3/4 times base	-	-	14,799,971	-	-
3 1/4 times base	-	-	-	12,826,642	-
3 times base	-	-	-	-	11,839,977
Total debt limitation	<u>8,879,983</u>	<u>17,759,966</u>	<u>14,799,971</u>	<u>12,826,642</u>	<u>11,839,977</u>
Total bonds and BANs	-	-	-	-	-
Debt limitation in excess of debt outstanding and authorized	<u>\$ 8,879,983</u>	<u>\$ 17,759,966</u>	<u>\$ 14,799,971</u>	<u>\$ 12,826,642</u>	<u>\$ 11,839,977</u>

In no case shall total indebtedness exceed seven times annual receipts from taxation \$ 27,626,613

Town of Hampton, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2011

C. Bank Loan

The Town has a construction loan for the construction of the Town Garage. At June 30, 2011, a total of \$450,000 had been drawn down on the loan. The balance of the loan was drawn down in September 2011. In September 2011, the loan turned into an installment loan in the initial amount of \$650,000. The loan is payable in ten semi-annual installments of principal and interest. These installments include interest at a rate of 3.25 percent per year.

Annual debt service requirements to maturity for the bank loan are shown in the following schedule. During this fiscal year, the total amount of interest cost incurred has been charged to expense in the Capital and Nonrecurring Fund.

Year Ending	Principal	Interest
2012	\$ 121,756	\$ 20,144
2013	125,745	16,155
2014	129,865	12,035
2015	134,119	7,779
2016	138,515	3,385
	\$ 650,000	\$ 59,498
Less: Amount drawn after year end	(200,000)	
Construction loan outstanding	\$ 450,000	

D. Capital Lease

The Town has entered into a lease agreement to finance the acquisition of a 2010 Ford F350. The cost of the 2010 Ford F350 is included in the fixed assets with a cost of \$58,414 and accumulated depreciation of \$9,248. This lease qualifies as a capital lease for accounting purposes. The following is a schedule of the future minimum lease payments and the present value of the net minimum lease payments under this lease:

Year Ending June 30	
2012 Minimum Lease Payment	\$ 7,681
Less: Amount Representing Interest	(111)
Present Value of Future Minimum Lease Payments	\$ 7,570

The debt service payment on the capital lease is being paid through the Capital Nonrecurring Fund.

E. Special Termination Benefits

Any teacher retiring from teaching after fifteen years of service, the last ten of which are in the Hampton Elementary School, shall be paid a severance benefit of \$150 per year of service up to a maximum of \$1,500. Any teacher who honorably leaves the Hampton Elementary School after eleven years of service is also entitled to 25% of their prorated daily salary for each accumulated sick leave day in excess of 150 days up to a maximum benefit of \$1,500.

**Town of Hampton, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 8 – Equity

A. Restricted Net Assets

Restrictions on Net Assets at year end are summarized as follows:

	Nonexpendable	Expendable
Trust fund purposes	\$ 54,563	\$ 134
Housing rehabilitation revolving loans	-	2,097,874
School readiness program	-	12,343
Grange restoration	-	6,986
Fees for specific programs	-	5,328
	<u>\$ 54,563</u>	<u>\$ 2,122,665</u>

B. Fund Balances

Nonspendable Fund Balance is summarized as follows:

	General Fund	Other Governmental Funds
Not in spendable form:		
Prepaid expenditures	\$ 2,213	\$ -
Inventory	-	665
Required to be maintained intact:		
Warren Stone HVFD Fund	25,000	-
Warren Stone HCAC Fund	25,000	-
Library	3,263	-
Cemetery	1,300	-
	<u>\$ 56,776</u>	<u>\$ 665</u>

Restricted Fund Balance is summarized as follows:

	General Fund	Community Development Block Grant	Capital Nonrecurring Fund	Other Governmental Funds
Housing rehabilitation revolving loan fund	\$ -	\$ 2,097,874	\$ -	\$ -
Grange restoration	6,986	-	-	-
Specific construction projects	-	-	5,328	-
School readiness program	-	-	-	12,343
Various Purposes	134	-	-	-
	<u>\$ 7,120</u>	<u>\$ 2,097,874</u>	<u>\$ 5,328</u>	<u>\$ 12,343</u>

**Town of Hampton, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Committed Fund Balance is summarized as follows:

	<u>Capital Nonrecurring Fund</u>
Specific capital projects	<u>\$ 147,489</u>

Assigned Fund Balance is summarized as follows:

	General Fund	Capital Nonrecurring Fund	Other Governmental Funds
To balance next year's budget	\$ 113,500	\$ -	\$ -
Local share of Town Garage project	100,000	-	-
Specific capital projects	-	163,460	-
Various purposes for the specific fund	-	-	16,347
	\$ 213,500	\$ 163,460	\$ 16,347

Note 9 - Employee Retirement Systems and Pension Plans

A. Teachers' retirement system

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

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

The funding of the system is provided by required member contributions (7 percent of their annual salary) and by amounts appropriated by the State of Connecticut General Assembly. For the year ended June 30, 2011, the State contributed \$182,039 into the pension plan on behalf of the Town. This was recorded on the GAAP statements as revenue and expenditures in the General Fund. The Town's total payroll for all employees for the year ending June 30, 2011 was \$1,817,270 of which \$1,144,213 was covered under this pension plan.

**Town of Hampton, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2011**

B. Savings incentive match plan (SIMPLE)

Employees of the Town, who earn more than \$5,000 per year, are covered under a Simplified Employee Pension which can be changed as allowed under the IRS codes. This is a defined contribution plan as described by section 408(p) of the Internal Revenue Code. An employee is eligible to participate who (1) is over age 21, (2) has at least one year of service with the Town and (3) is not covered by a collective bargaining agreement. Employer contributions will be (1) based on up to \$200,000 of compensation (2) made in an amount that is the same percentage of compensation for each employee and (3) is in an amount matching the employee's contribution up to 3% of compensation. The contribution is made directly into the participant's IRA account.

A contribution equal to 3.0% of the wages for each eligible employee, totaling \$4,045 in the aggregate was deposited into their accounts. The total wages for all Town employees was \$1,817,270 and the total wages for covered employees was \$134,833. The administrator of the plan is T. Rowe Price Trust Company.

Note 10 – Other Post Employment Benefit (OPEB)

A. Plan Description

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

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

B. Actuarial Assumptions and Methods

The Town of Hampton, Connecticut has qualified for the Alternative Measurement Method (AMM). The calculation of the actuarial accrued liability and annual required contribution under this method are completed without a traditional actuarial valuation. The AMM calculation process is similar to an actuarial valuation, but with simplifications of several assumptions permitted per GASB guidelines.

Latest Actuarial Date	June 30, 2010
Actuarial Cost Method	Entry Age
Discount Rate	4.00%

**Town of Hampton, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Payroll Growth Rate	3.00%
Medical Inflation	Initial rate of 9% grading down to an ultimate inflation rate of 3% in 2020 and later.
Amortization Method	Level percentage of payroll
Remaining amortization	30 years, closed
Mortality	RP2000 Mortality Table for Males and Females projected 10 years
Turnover	Standard turnover assumptions – GASB 45 paragraph 35b
Retirement	Average retirement age of 60
Future Retiree Coverage	75% are assumed to elect coverage at retirement

C. Schedule of Funding Progress

There is no requirement for funding and the plan has not been funded. The Town has not yet established a formal funding plan or a trust at this time.

Below is a schedule of funding progress. (Data in the table below is only presented since the year of transition.)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Accrued Liability (UAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a % of Covered Payroll ((b-a)/c)
6/30/2010	\$ -	\$ 2,334,912	\$ 2,334,912	0.00%	\$ 1,130,510	207%

D. Schedule of Employer Contributions

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

Year Ended June 30	Annual Required Contributions	Actual Contributions Made	Percentage Contributed	Net OPEB Obligation
2010	\$ 162,507	\$ -	0.00%	\$ 162,507
2011	\$ 188,446	\$ 14,940	7.93%	\$ 336,013

E. Annual Required Contribution (ARC)

The Annual Required Contribution (ARC) for the OPEB program consists of two pieces:

Past Service Cost (a catch-up accrual to amortize the Unfunded Accrued Liability). The amortization period is 30 years starting on July 1, 2009. The ARC is assumed to be paid at the beginning of the fiscal year. Interest is also calculated on the Unfunded Accrued Liability and added to the Annual Required Contribution, plus

Normal Cost is the present value of the portion of the projected benefit attributable to the current year (the cost of benefits earned each year should be accrued in that year).

**Town of Hampton, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2011**

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortized any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

F. Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution (ARC)	\$ 188,446
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	188,446
Contributions made	(14,940)
Increase (decrease) in net OPEB obligation	173,506
Net OPEB obligation (asset), beginning of year	162,507
Net OPEB obligation (asset), end of year	\$ 336,013

G. Other Disclosures

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

Note 11 – Joint Ventures

A. Hampton/Scotland transfer station

The Towns of Hampton and Scotland have an agreement to operate the Hampton/Scotland Transfer Station to dispose of recyclable waste and the municipal solid waste of both towns. The transfer station operations are funded based on a per capita ratio. Currently, this is 55% by Hampton and 45% by Scotland and reported in their respective financial statements.

Town of Hampton, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2011

B. Mid-Northeast Recycling Operating Committee (MID-NEROC)

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

Note 12 – Contingent Liabilities

A. Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

B. School Building Grants

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

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

C. Various lawsuits

The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Town's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

Note 13 – Commitments

A. Encumbrances

The Town uses encumbrance accounting for budgeting in the General Fund. At year end, the Town had \$7,393 in encumbrances outstanding. These encumbrances have not met the requirements to be classified as restricted, committed, or assigned and are, therefore, included in the unassigned Fund Balance.

Town of Hampton, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2011

B. School Roof

In April 2011 the citizens authorized the Town to spend up to \$530,000 on a new roof for the elementary school. This will be financed with grant revenue from the State of Connecticut and a local share. The local share was authorized to be financed and the Town borrowed \$530,000 on August 25, 2011.

Note 14 - Risk Management

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

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

Note 15 – GASB Pronouncements Issued, But Not Yet Effective

The Governmental Accounting Standards Board (GASB) is the standard setting board for governmental entities. The following are statements which have been approved by GASB, but are not yet effective:

- GASB Statement 60 – *Accounting and Financial Reporting for Service Concession Arrangements*. This statement provides guidance for governments that are either transferors or operators of service concession arrangements. A service concession arrangement is one in which the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant considerations, and the operator collects and is compensated by fees from third parties. This statement is effective for periods beginning after December 15, 2011.
- GASB Statement 61 – *The Financial Reporting Entity: Omnibus* – This statement modifies certain requirements for inclusion of component units in the financial reporting entity, amends the criteria for reporting component units, and clarifies the reporting of equity interests in legally separate organizations. This statement is effective for periods beginning after June 15, 2012.

Town of Hampton, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2011

- GASB Statement 62 –*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* – This statement incorporates certain authoritative literature into the GASB codification. This statement is effective for periods beginning after December 15, 2011.

- GASB Statement 63 –*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* – This statement provides guidance for transactions that result in the consumption or acquisition of net assets in one period that are applicable to future periods. This statement is effective for periods beginning after December 15, 2011.

- GASB Statement 64 – *Derivative Instruments: Application of Hedge Accounting Termination Provisions* – This statement clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or its credit support provider. This statement is effective for periods beginning after June 15, 2011.

Town of Hampton, Connecticut
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
General Fund
For the Year Ended June 30, 2011

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual Budgetary Basis	Variance
REVENUES:					
Property Tax Revenues					
Property Taxes	\$ 3,783,495	\$ -	\$ 3,783,495	\$ 3,935,640	\$ 152,145
	3,783,495	-	3,783,495	3,935,640	152,145
State of Connecticut Revenues					
Education Cost Sharing (ECS)	1,337,582	-	1,337,582	1,146,756	(190,826)
ARRA Grant - State of CT	-	-	-	190,826	190,826
Town Aid Road	95,019	-	95,019	95,354	335
School Transportation	34,194	-	34,194	23,954	(10,240)
Pilot for State Hospital and Property	33,206	-	33,206	33,396	190
Local Capital Improvement	31,025	-	31,025	-	(31,025)
PILOT- Elderly, Veterans	19,505	-	19,505	18,743	(762)
Solar Energy System Grant	16,000	-	16,000	19,000	3,000
Mashantucket Pequot Grant	14,260	-	14,260	14,255	(5)
Public Education Green Energy	4,000	-	4,000	-	(4,000)
State Preservation	3,000	-	3,000	3,000	-
Other State Grants	800	-	800	1,537	737
Clean Energy ARRA Grant	-	-	-	17,100	17,100
Special Education Excess Cost	-	-	-	15,410	15,410
	1,588,591	-	1,588,591	1,579,331	(9,260)
Local Revenues					
School Bus Fuel	25,500	-	25,500	20,701	(4,799)
Transfer Station Permits	12,000	-	12,000	10,736	(1,264)
Building Permits	10,000	-	10,000	57,590	47,590
Interest Income	10,000	-	10,000	4,689	(5,311)
Conveyance Tax	9,000	-	9,000	15,771	6,771
Sale of Recyclables	9,000	-	9,000	14,028	5,028
Recording Fees	9,000	-	9,000	9,445	445
Telecommunication Property Tax	7,951	-	7,951	6,338	(1,613)
Scotland's Share - Transfer Station	5,000	-	5,000	7,728	2,728
Landfill Disposal Fees	5,000	-	5,000	4,619	(381)
Miscellaneous	4,000	-	4,000	8,541	4,541
Ambulance Corp. Fuel	2,000	-	2,000	2,713	713
Photocopies	1,700	-	1,700	2,141	441
Dog Fund Fees	1,500	-	1,500	2,838	1,338
Miscellaneous Permits	1,300	-	1,300	2,142	842
Inland Wetland Permits	1,000	-	1,000	1,560	560
Community Center Revenue	1,000	-	1,000	1,200	200
Planning and Zoning Books	750	-	750	1,080	330
Licensing	100	-	100	-	(100)
Donations	-	-	-	50,000	50,000
Youth Sports	-	-	-	11,925	11,925
	115,801	-	115,801	235,785	119,984
TOTAL REVENUES	5,487,887	-	5,487,887	5,750,756	262,869

(Continued)

Town of Hampton, Connecticut
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
General Fund
For the Year Ended June 30, 2011

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual Budgetary Basis	Variance
EXPENDITURES:					
Administration:					
Board of Selectmen:					
First Selectman Salary	24,355	-	24,355	24,355	-
Second Selectman Salary	3,620	-	3,620	3,620	-
Third Selectman Salary	3,620	-	3,620	3,620	-
Administrative Assistant Salary	14,350	(1,367)	12,983	12,983	-
Selectmen Mileage	750	-	750	696	54
Selectmen Supplies and Training	700	(479)	221	220	1
Selectmen Computer Support	10,000	(1,553)	8,447	8,447	-
Master Computer Server	10,000	-	10,000	10,000	-
Tax Collector:					
Tax Collector Salary	25,084	-	25,084	25,084	-
Tax Collector Assistant Salary	8,500	(5,705)	2,795	2,794	1
Tax Collector Equipment and Supplies	1,000	-	1,000	977	23
Tax Collector Mileage	1,000	(200)	800	797	3
Tax Collector Refund Overpaid Tax	9,000	210	9,210	9,202	8
Tax Collector Computer Support	5,400	875	6,275	6,204	71
Tax Collector Professional Expense	950	(466)	484	234	250
Tax Collector Postage-Legal Notices	3,500	550	4,050	4,040	10
Tax Collection Expenses	2,000	25	2,025	2,025	-
Tax Collection Misc. Expense	100	-	100	76	24
Board of Assessment Appeals	500	(500)	-	-	-
Town Clerk:					
Town Clerk Salary	22,871	-	22,871	22,871	-
Town Clerk Land Records	11,225	(1,662)	9,563	9,541	22
Town Clerk Assistant Salary	1,200	187	1,387	1,387	-
Town Clerk Repairs and Rebinding	-	-	-	-	-
Town Clerk Mailing Costs	500	7	507	507	-
Town Clerk Mileage	500	-	500	313	187
Town Clerk Professional Expense	150	-	150	85	65
Town Clerk Conference / Education	800	-	800	615	185
Town Clerk Vital Statistics	50	-	50	-	50
Town Clerk Legal Notices	4,500	1,279	5,779	5,779	-
Town Clerk General Supplies / Postage	5,000	(1,075)	3,925	3,925	-
Record Management Projects	3,000	189	3,189	3,189	-
Town Clerk Equipment	400	-	400	-	400
Town Counsel	9,000	(3,016)	5,984	5,220	764
Treasurer:					
Treasurer Salary	16,613	-	16,613	16,613	-
Treasurer Computer Supplies	1,650	-	1,650	1,620	30
Treasurer Mileage	700	(203)	497	445	52
Treasurer Computer Support	1,700	-	1,700	1,224	476
Treasurer Professional Expense	70	-	70	65	5
Treasurer Postage	500	-	500	440	60
Treasurer Payroll Service Fees	400	100	500	490	10

(Continued)

Town of Hampton, Connecticut
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
General Fund
For the Year Ended June 30, 2011

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual Budgetary Basis	Variance
Assessor:					
Assessor Salary	22,701	-	22,701	22,701	-
Assessor Mileage	300	-	300	257	43
Assessor Education	300	586	886	-	886
Assessor Professional Expense	800	-	800	580	220
Assessor Computer Support	7,650	-	7,650	7,213	437
Assessor Mapping	1,750	(600)	1,150	1,150	-
Assessor Office Supplies/Postage	500	-	500	183	317
Assessor Webhosting	2,200	-	2,200	2,200	-
Town Hall:					
Town Hall Photocopier	2,500	(100)	2,400	2,286	114
Town Hall Water	1,100	400	1,500	1,499	1
Town Hall Maintenance	14,000	7,431	21,431	21,431	-
Election:					
Election Registrars	13,328	(200)	13,128	11,742	1,386
Election Other Salaries	8,134	1,154	9,288	9,288	-
Election Training	1,200	-	1,200	1,165	35
Election Postage/ Supplies	750	300	1,050	1,736	(686)
Election Memory Cards and Ballots	2,500	-	2,500	2,101	399
Election HAVA Expenses	704	(100)	604	590	14
Planning and Zoning:					
Planning and Zoning Salaries	15,800	(735)	15,065	15,065	-
Planning and Zoning Legal Notice	2,000	(1,217)	783	783	-
Planning and Zoning Mileage	150	100	250	198	52
DEP Land Use Fees	200	-	200	174	26
Planning and Zoning Training	500	-	500	180	320
Planning and Zoning Supplies	600	-	600	300	300
Conservation	1,000	(811)	189	188	1
Planning and Zoning Legal & Engineering	4,000	(3,536)	464	464	-
Planning and Zoning Planning Services	4,000	(3,422)	578	577	1
Planning and Zoning Professional	400	-	400	377	23
Inland Wetlands:					
Inland Wetlands	5,490	(2,527)	2,963	1,920	1,043
Inland Wetlands Legal Notice	300	-	300	172	128
Inland Wetlands Mileage	707	(372)	335	-	335
Inland Wetlands Filing Fees	200	148	348	348	-
Inland Wetlands Supplies	620	(520)	100	96	4
Inland Wetlands Training	330	(100)	230	-	230
Auditor/Fixed Assets	32,235	(5,000)	27,235	27,010	225
Utilities and Oil:					
Transfer Station Electric	1,000	-	1,000	926	74
Transfer Station Telephone	400	-	400	397	3
Town Hall Electric	11,000	(1,800)	9,200	9,195	5
Town Hall Oil	3,350	2,744	6,094	5,991	103
Town Hall Cable	1,350	-	1,350	1,249	101
Town Hall Telephone	4,500	(2,595)	1,905	1,797	108
Town Garage Electric	3,500	(1,020)	2,480	2,480	-
Town Garage Oil	4,000	1,555	5,555	5,554	1
Town Garage Telephone	600	52	652	651	1

(Continued)

Town of Hampton, Connecticut
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
General Fund
For the Year Ended June 30, 2011

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual Budgetary Basis	Variance
Community Center Electric	2,000	(700)	1,300	1,248	52
Community Center Oil	2,500	711	3,211	3,211	-
Community Center Water	375	-	375	366	9
Community Center Supplies	500	-	500	340	160
Community Center Cleaning	1,500	50	1,550	1,550	-
Community Center Alarm	300	-	300	-	300
Street Light	300	-	300	292	8
Fire Department Oil	4,000	-	4,000	3,722	278
Employee Simple IRA	4,000	46	4,046	4,045	1
Health Insurance	110,348	3,016	113,364	113,364	-
Solar Energy System	16,000	21,450	37,450	37,450	-
Public Education Green Energy	4,000	(830)	3,170	3,319	(149)
Green Energy Committee Training	1,000	-	1,000	53	947
	<u>530,730</u>	<u>754</u>	<u>531,484</u>	<u>520,877</u>	<u>10,607</u>
Public Safety:					
Fire Marshal-Emergency Coordinator	9,300	(1,285)	8,015	8,015	-
Fire Department	53,361	-	53,361	53,361	-
Ambulance	12,000	-	12,000	12,000	-
911 Dues	5,018	-	5,018	5,018	-
Paramedic	2,149	-	2,149	2,149	-
Building Inspector:	16,891	-	16,891	16,891	-
Building Inspector Mileage	1,200	(372)	828	414	414
Building Inspector Supplies	690	300	990	107	883
Building Inspector Training	300	700	1,000	993	7
Building Inspector Clerk	1,700	(1,000)	700	563	137
Fire Dept. Volunteer Incentive	18,000	-	18,000	17,656	344
Burning Permits	200	-	200	120	80
	<u>120,809</u>	<u>(1,657)</u>	<u>119,152</u>	<u>117,287</u>	<u>1,865</u>
Public Works:					
Road Paving	220,000	(5,905)	214,095	214,094	1
Road Maintenance	70,000	12,065	82,065	82,057	8
Road Maintenance Payroll	150,288	16,693	166,981	166,981	-
LOCIP Expense	31,025	-	31,025	-	31,025
Gasoline	8,000	(1,660)	6,340	6,340	-
Diesel	32,000	7,680	39,680	39,677	3
Safety	2,000	6	2,006	2,006	-
Salt Storage	6,500	(1,500)	5,000	5,000	-
Small Tools	3,500	(1,056)	2,444	1,883	561
Signs	800	-	800	345	455
	<u>524,113</u>	<u>26,323</u>	<u>550,436</u>	<u>518,383</u>	<u>32,053</u>
Sanitation	<u>117,800</u>	<u>(9,230)</u>	<u>108,570</u>	<u>105,384</u>	<u>3,186</u>

(Continued)

Town of Hampton, Connecticut
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
General Fund
For the Year Ended June 30, 2011

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual Budgetary Basis	Variance
Health and Welfare					
Public Health Services	1,000	-	1,000	1,000	-
Northeast District Department of Health	8,403	-	8,403	8,403	-
TVCCA	482	-	482	482	-
United Services	1,231	-	1,231	1,231	-
Access Agency	500	-	500	500	-
Volunteer Transportation	-	-	-	-	-
Senior Citizens	2,100	-	2,100	2,100	-
WeCONNECT-Assault Crisis	500	-	500	500	-
NECASA	264	-	264	264	-
No Freeze Shelter	200	-	200	200	-
	<u>14,680</u>	<u>-</u>	<u>14,680</u>	<u>14,680</u>	<u>-</u>
Recreation Commission	<u>3,000</u>	<u>-</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Education					
Parish Hill High School	1,699,843	-	1,699,843	1,681,532	18,311
Hampton Elementary	2,236,346	-	2,236,346	2,236,339	7
	<u>3,936,189</u>	<u>-</u>	<u>3,936,189</u>	<u>3,917,871</u>	<u>18,318</u>
Library	<u>27,728</u>	<u>-</u>	<u>27,728</u>	<u>25,767</u>	<u>1,961</u>
Social Security Town Share	<u>28,000</u>	<u>-</u>	<u>28,000</u>	<u>27,505</u>	<u>495</u>
Insurance and Bonds	<u>37,470</u>	<u>-</u>	<u>37,470</u>	<u>36,428</u>	<u>1,042</u>
Contingency	<u>15,000</u>	<u>6,692</u>	<u>21,692</u>	<u>21,128</u>	<u>564</u>
Miscellaneous					
American Legion / Parade	450	-	450	173	277
Organization Dues	1,768	-	1,768	1,768	-
Dial-a-ride	5,093	-	5,093	5,093	-
Walking Weekend	250	-	250	250	-
Probate Court	692	-	692	598	94
Hampton Gazette Distribution	2,000	(23)	1,977	1,544	433
Eastern CT Conservation District	300	-	300	300	-
WINCOG	1,515	23	1,538	1,538	-
	<u>12,068</u>	<u>-</u>	<u>12,068</u>	<u>11,264</u>	<u>804</u>
Debt Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital and Non-Recurring	<u>112,300</u>	<u>-</u>	<u>112,300</u>	<u>112,300</u>	<u>-</u>
Dog Fund	<u>8,000</u>	<u>(2,000)</u>	<u>6,000</u>	<u>5,594</u>	<u>406</u>
TOTAL EXPENDITURES	<u>5,487,887</u>	<u>20,882</u>	<u>5,508,769</u>	<u>5,437,468</u>	<u>71,301</u>
Excess (Deficiency) of Revenues Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ (20,882)</u>	<u>\$ (20,882)</u>	<u>313,288</u>	<u>\$ 334,170</u>

(Continued)

Town of Hampton, Connecticut
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
General Fund
For the Year Ended June 30, 2011

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual Budgetary Basis	Variance
Adjustments to Generally Accepted Accounting Principles (GAAP):					
On Behalf Revenues from Teacher's Retirement Netted in Budget				182,039	
On Behalf Expenditures from Teacher's Retirement Netted in Budget				(182,039)	
Change in accrued payroll				(1,748)	
Current year encumbrances				7,393	
Liquidations of prior year encumbrances				<u>(22,371)</u>	
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing (Uses) - GAAP Basis				<u>\$ 296,562</u>	

Notes to Required Supplementary Information: A formal, legally approved, annual budget is adopted for the General Fund only. This budget is adopted on a basis consistent with Generally Accepted Accounting Principles (modified accrual basis) with the following exceptions: 1. The Town does not recognize as income or expenditures payments made for the teacher's retirement by the State of Connecticut on the Town's behalf; 2. Revenues and expenditures from capital leasing and for renewing or refunding long-term debt are included in the budget as the net revenue or expenditure expected; 3. Encumbrances are treated as expenditures against the budget in the year committed; 4. Payroll is budgeted on a cash basis.

Town of Hampton, Connecticut Fund Descriptions

Special Revenue Funds:

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

Capital Project Funds:

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

Permanent Funds:

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

Town of Hampton, Connecticut
 Combining Balance Sheet
 Other Governmental Funds
 June 30, 2011

	Special Revenue Funds						Total Other Governmental Funds
	School Readiness Preschool	Child Nutrition Program	Educational Grants Fund	Preschool/ Latchkey Fund	Recreation Fund		
Assets							
Cash and cash equivalents	\$ 49,570	\$ 7,413	\$ 35,703	\$ 6,516	\$ 11,722	\$ 110,924	
Receivables	-	2,730	2,724	-	-	5,454	
Inventory	-	665	-	-	-	665	
Total Assets	\$ 49,570	\$ 10,808	\$ 38,427	\$ 6,516	\$ 11,722	\$ 117,043	
Liabilities and Fund Balance							
Liabilities							
Accounts payable	\$ 277	\$ 70	\$ 195	\$ -	\$ -	\$ 542	
Deferred revenue	-	-	7,406	-	-	7,406	
Due to other governmental funds	36,950	7,595	28,679	6,516	-	79,740	
Total Liabilities	37,227	7,665	36,280	6,516	-	87,688	
Fund Balance							
Nonspendable	-	665	-	-	-	665	
Restricted	12,343	-	-	-	-	12,343	
Committed	-	-	-	-	-	-	
Assigned	-	2,478	2,147	-	11,722	16,347	
Unassigned	-	-	-	-	-	-	
Total Fund Balance	12,343	3,143	2,147	-	11,722	29,355	
Total Liabilities and Fund Balance	\$ 49,570	\$ 10,808	\$ 38,427	\$ 6,516	\$ 11,722	\$ 117,043	

Town of Hampton, Connecticut
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
For the Year Ended June 30, 2011

	Special Revenue Funds						Total Other Governmental Funds
	School Readiness Preschool	Child Nutrition Program	Educational Grants Fund	Preschool/ Latchkey Fund	Recreation Fund		
Revenues							
Intergovernmental revenues	\$ 80,250	\$ 16,210	\$ 91,709	\$ -	\$ -	\$ -	\$ 188,169
Local revenues	14,658	27,444	3,599	8,560	16,513		70,774
Total Revenues	94,908	43,654	95,308	8,560	16,513		258,943
Expenditures							
Current expenditures:							
General government	-	-	-	-	16,950		16,950
Education	111,561	71,393	95,307	16,981	-		295,242
Total expenditures	111,561	71,393	95,307	16,981	16,950		312,192
Excess (deficiency) of revenues over expenditures	(16,653)	(27,739)	1	(8,421)	(437)		(53,249)
Other financing sources and (uses)							
Operating transfers in	-	35,233	-	14,937	-		50,170
Operating transfers (out)	-	-	-	(6,516)	-		(6,516)
Total other financing sources and (uses)	-	35,233	-	8,421	-		43,654
Excess (deficiency) of revenues over expenditures and other financing sources and (uses)	(16,653)	7,494	1	-	(437)		(9,595)
Fund Balance, beginning of the year	28,996	(4,351)	2,146	-	12,159		38,950
Fund Balance, end of the year	\$ 12,343	\$ 3,143	\$ 2,147	\$ -	\$ 11,722		\$ 29,355

See Accountants' Report

Town of Hampton, Connecticut
Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2011

	Balance Beginning		Additions		Deductions		Balance Ending
Student Activity Fund							
Assets							
Cash	\$ 20,986	\$	53,500	\$	(55,838)	\$	18,648
Liabilities							
Due to students	\$ 20,986	\$	53,500	\$	(55,838)	\$	18,648

**Town of Hampton, Connecticut
Report of the Property Tax Collector
For the Year Ended June 30, 2011**

Grand List	Beginning Receivable Balance	Current Year Levy	Lawful Corrections		Net Taxes Collectible	Collections During the Year		Transfer to Suspense	Ending Receivable Balance		
			Additions	Deductions		Taxes	Interest			Liens	Total
2009	\$ -	\$ 3,939,739	\$ 1,978	\$ 22,985	\$ 3,918,732	\$ 3,829,276	\$ 13,254	\$ 89	\$ 3,842,619	\$ -	\$ 89,456
2008	104,312	-	-	6,035	98,277	57,023	14,856	444	72,323	-	41,254
2007	19,296	-	-	-	19,296	7,646	2,941	297	10,884	-	11,650
2006	6,205	-	25	13	6,217	1,930	504	96	2,530	-	4,287
2005	4,786	-	-	1,057	3,729	69	56	24	149	-	3,660
2004	3,482	-	-	-	3,482	67	67	24	158	-	3,415
2003	4,465	-	-	-	4,465	-	-	-	-	-	4,465
2002	3,723	-	1,788	894	4,617	134	280	36	450	-	4,483
2001	3,441	-	-	-	3,441	-	170	-	170	-	3,441
2000	2,301	-	-	42	2,259	-	-	-	-	293	1,966
1999	1,462	-	-	-	1,462	-	-	-	-	815	647
1998	548	-	-	-	548	127	170	-	297	405	16
	\$ 154,021	\$ 3,939,739	\$ 3,791	\$ 31,026	\$ 4,066,525	\$ 3,896,272	\$ 32,298	\$ 1,010	\$ 3,929,580	\$ 1,513	\$ 168,740

Town of Hampton, Connecticut
Statement of Changes in Fund Balance
Capital Nonrecurring Fund
For the Year Ended June 30, 2011

	Beginning Fund Balance	Approved Budget Transfers In	Additional Transfers In	Revenues and New Debt	Total Available	Current Year Expenditures	Internal Transfers	Ending Fund Balance	Eliminating Deficit Balances per GASB 54	Reported Fund Balance
RESTRICTED FUND BALANCE:										
Open Space from Fees	\$ 5,407	\$ -	\$ -	\$ 1,077	\$ 6,484	\$ (6,000)	\$ -	\$ 484	\$ -	\$ 484
Historic Document Preservation from Fees	4,485	-	-	359	4,844	-	-	4,844	-	4,844
JAG Grant	582	-	-	92	674	(2,948)	-	(2,274)	2,274	-
	10,474	-	-	1,528	12,002	(8,948)	-	3,054	2,274	5,328
COMMITTED FUND BALANCE:										
Town Garage/ Land \$1,000,000	-	-	-	700,000	700,000	(890,299)	-	(190,299)	190,299	-
Town Garage/ Land accumulated funds	113,965	-	-	-	113,965	(64,563)	-	49,402	-	49,402
School Multipurpose Room \$16,000	-	-	-	-	-	-	16,000	16,000	-	16,000
Building Maintenance	75,171	10,000	-	-	85,171	(35,145)	-	50,026	-	50,026
Elementary School - Roof \$530,000	-	-	-	39,026	39,026	(47,785)	-	(8,759)	8,759	-
Elementary School - Roof Plan \$12,400	10,000	10,000	-	-	20,000	(7,840)	12,400	4,560	-	4,560
Revaluation	6,956	30,726	-	-	37,682	(30,726)	-	20,000	-	20,000
Fire Truck	(31,029)	31,574	-	-	545	-	-	6,956	-	6,956
Trucks and Equipment	175,063	82,300	-	739,026	996,389	(1,076,358)	28,400	(51,569)	199,058	147,489
ASSIGNED FUND BALANCE										
Open Space	161,275	30,000	-	-	191,275	-	-	191,275	-	191,275
Land Acquisition	151,122	-	-	-	151,122	-	-	151,122	-	151,122
Hampton Elementary School	25,598	-	6,516	700	32,814	-	(28,400)	4,414	-	4,414
Town Clerk Discretionary Fund	834	-	-	359	1,193	-	-	1,193	-	1,193
Not allocated to a specific project	17,690	-	-	1,223	18,913	(2,125)	-	16,788	-	16,788
GASB 54 adjustments for over expenditures	-	-	-	-	-	(2,125)	(28,400)	-	(201,332)	(201,332)
	356,519	30,000	6,516	2,282	395,317	(2,125)	(28,400)	364,792	(201,332)	163,460
TOTAL FUND BALANCE	\$ 542,056	\$ 112,300	\$ 6,516	\$ 742,836	\$ 1,403,708	\$ (1,087,431)	\$ -	\$ 316,277	\$ -	\$ 316,277

Marien + Company LLC

CERTIFIED PUBLIC ACCOUNTANTS + ADVISORS

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
Hampton, Connecticut

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, 2011 and have issued our report thereon dated October 09, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

Our consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item MW-08-01 to be a material weakness.

Government Auditing Standards Report (Continued)

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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Town of Hampton, Connecticut's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Hampton, Connecticut's response and, accordingly, we express no opinion on it.

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

Marion + Company

October 09, 2011

Report on Compliance with Requirements That Could Have A Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with the State Single Audit Act, and on the Schedule of Expenditures of State Financial Assistance

Board of Selectmen
Town of Hampton, Connecticut
Hampton, Connecticut

Compliance

We have audited the Town of Hampton, Connecticut's compliance with the types of compliance requirements described in the *Office of Policy and Management 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, 2011. The major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Town of Hampton, Connecticut's management. Our responsibility is to express an opinion on the Town of Hampton, Connecticut's compliance based on our audit.

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

In our opinion, the Town of Hampton, Connecticut complied, in all material respects, with the 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, 2011.

State Single Audit Report (Continued)

Internal Control over Compliance

Management of the Town of Hampton, Connecticut is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the Town of Hampton, Connecticut's internal control over compliance with requirements that could have a direct and material effect on a major state program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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, in a timely manner.

Our consideration of the 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of State Financial Assistance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Hampton, Connecticut as of and for the year ended June 30, 2011, and have issued our report thereon dated October 09, 2011. Our audit was performed 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

State Single Audit Report (Continued)

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

Marion + Company

October 09, 2011

**Town of Hampton, Connecticut
Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2011**

State Program Pass-Through Grantor Program Title	State Grant Program Core-CT Number	Expenditures
Connecticut State Library		
Historic Documents Preservation Grants	12060-CSL66094-35150	\$ 3,000
Department of Environmental Protection		
Boat Grant	12060-DEP44434-35403	263
Department of Transportation		
Town Aid Roads - Municipal	12052-DOT57131-43455	25,428
Town Aid Roads - STO	13033-DOT57131-43459	69,926
Department of Economic and Community Development		
Small Town Economic Assistance Program (ECD)	12052-ECD46350-42411	250,000
Office of Policy and Management		
Property Tax Relief for Disability Exemption	11000-OPM20600-17011	516
Property Tax Relief for Elderly and Totally Disabled (CB)	11000-OPM20600-17018	17,079
Property Tax Relief for Veterans	11000-OPM20600-17024	1,148
Office of the State Comptroller		
PILOT on State Owned Property	11000-OSC15910-17004	33,396
Department of Education		
School Readiness and Child Care - Competitive Grant	11000-SDE64370-12113	80,250
Child Nutrition State Match	11000-SDE64370-16211	598
Health Foods Initiative	11000-SDE64370-16212	1,303
Adult Education	11000-SDE64370-17030	1,695
Total State Financial Assistance before Exempt Programs		<u>484,602</u>
EXEMPT PROGRAMS		
Department of Education:		
Education Cost Sharing	11000-SDE64370-17041	1,146,756
Public School Transportation	11000-SDE64370-17027	23,954
Special Education - Excess Cost - Student Based	11000-SDE64370-17047	15,410
Office of the State Comptroller		
Grants to Towns	12009-OSC15910-17005	14,255
Total exempt programs		<u>1,200,375</u>
Total State Financial Assistance		<u>\$ 1,684,977</u>

See Accountants' Report

Town of Hampton, Connecticut
Notes to the Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2011

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: education, general government, public works, and public safety.

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Hampton, Connecticut conform to Generally Accepted Accounting Principles as applicable to governmental entities. The following is a summary of the more significant policies relating to the aforementioned grant programs.

A. Basis of Accounting

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

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

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

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

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

**Town of Hampton, Connecticut
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2011**

MW-08-1 – Entity Level Controls

Condition: Internal controls are a coordinated set of policies and procedures that management uses to achieve their objectives and meet their fundamental responsibilities for effectiveness, efficiency, compliance and financial reporting. The literature recognizes five sections of internal control published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO Report) in Internal Control – Integrated Framework. These five interrelated components include:

- *Control Environment* – A favorable control environment exists when management is knowledgeable about controls (entity wide and specific), is committed to establishing controls and communicates its support for internal controls to all individuals involved.
- *Risk Assessment* – This involves management’s continual identification and assessment of the potential risks that might prevent management from fulfilling its responsibilities and achieving its objectives.
- *Information and Communication Systems* – These are the systems used to assure that appropriate individuals have timely and accurate information to carry out their responsibilities.
- *Control Activities* – These are management’s response to the risks identified. These are the specific policies and procedures that are put in place to alert management of undesired actions in a timely manner.
- *Monitoring* – There is a responsibility of management to follow up on the controls that have been put in place to assure that they continue to function and function properly, effectively and efficiently.

The Town of Hampton, Connecticut does not have a framework established to deal with each of the interrelated entity level controls over and above the specific control policies and procedures that have been developed.

Current Status: The Board of Selectmen is working with the new policy manuals to analyze risk, add specific activity controls, and to determine what should be done to monitor the controls being put in place. Once this is complete, the policy manuals will be distributed to all involved.

ONC-10-1 – Bank Account in Individual’s Name

Condition: The Grange has a bank account for its restoration fund. The account was set up in the name of the fund, but in an individual’s identification number.

Current Status: The finding has been corrected.

**Town of Hampton, Connecticut
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011**

I. Summary of Audit Results

A. Financial Statements:

Type of auditors' report issued: Unqualified
 Internal control over financial reporting:
 • Material weakness(es) identified? Yes No
 • Significant deficiency(ies) identified? Yes None reported
 Noncompliance material to the financial statements noted? Yes No

B. State Financial Assistance:

Internal control over major programs:
 • Material weakness(es) identified? Yes No
 • Significant deficiency(ies) identified? Yes None reported

Type of auditors' report issued on compliance for major programs: Unqualified

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

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

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
Department of Economic and Community Dev: Small Town Economic Assistance Program	12052-ECD46350-42411	\$250,000
Dollar threshold used to distinguish between type A and type B programs:		<u>\$100,000</u>

II. Financial Statement Findings:

MW-08-1 – Entity Level Controls

Condition: Internal controls are a coordinated set of policies and procedures that management uses to achieve their objectives and meet their fundamental responsibilities for effectiveness, efficiency, compliance and financial reporting. The literature recognizes five sections of internal control published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO Report) in Internal Control – Integrated Framework. These five interrelated components include:

- *Control Environment* – A favorable control environment exists when management is knowledgeable about controls (entity wide and specific), is committed to establishing controls and communicates its support for internal controls to all individuals involved.

Town of Hampton, Connecticut
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- *Risk Assessment* – This involves management’s continual identification and assessment of the potential risks that might prevent management from fulfilling its responsibilities and achieving its objectives.
- *Information and Communication Systems* – These are the systems used to assure that appropriate individuals have timely and accurate information to carry out their responsibilities.
- *Control Activities* – These are management’s response to the risks identified. These are the specific policies and procedures that are put in place to alert management of undesired actions in a timely manner.
- *Monitoring* – There is a responsibility of management to follow up on the controls that have been put in place to assure that they continue to function and function properly, effectively and efficiently.

The Town of Hampton, Connecticut does not have a framework established to deal with each of the interrelated entity level controls over and above the specific control policies and procedures that have been developed.

Current Status: The Board of Selectmen is working with the new policy manuals to analyze risk, add specific activity controls, and to determine what should be done to monitor the controls being put in place. Once this is complete, the policy manuals will be distributed to all involved.

III. State Financial Assistance Findings And Questioned Costs

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