

Town of Hampton, Connecticut

Financial Statements and
Supplementary Information

Year Ended June 30, 2012

Town of Hampton, Connecticut

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Year Ended June 30, 2012

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Independent Auditors' Report

The Board of Finance Town of 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 (the "Town") as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. 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 as of June 30, 2012 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2013 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditors Report (Continued)

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the 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 an appropriate operational, economic or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements. The accompanying financial information listed as combining and individual fund financial statements and supplementary schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the 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 accompanying financial information listed as combining fund financial statements and supplementary schedules in the table of contents is fairly stated in all material respects in relation to the financial statements taken as a whole.

O'Connor Davies, LLP

Wethersfield, Connecticut
January 20, 2013

Town of Hampton, Connecticut

Management's Discussion and Analysis
June 30, 2012

Town of Hampton, Connecticut

Management's Discussion and Analysis
Year Ended June 30, 2012

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, 2012. 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 \$364,393 during the year.
- The Town's fund balance increased by \$375,987.

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
Year Ended June 30, 2012

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 \$364,393 from a year ago—*increasing* from \$8,736,734 to \$9,101,127. Last year net assets *increased* by \$529,657. 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 \$178,948. The increase is largely due to completed construction and the purchase of buildings and improvements. Long-term debt increased by \$546,539 due to the increase in a note payable on the construction of the town garage, the addition of a note for the Hampton Elementary School Roof and increases in Other Post Employment Benefits as required by GASB 45.

Town of Hampton, Connecticut

Management's Discussion and Analysis
Year Ended June 30, 2012

Table 1
Change in Net Assets (on Exhibit 1)

	2012	Change During Year		2011
		Dollars	Percent	
Current and other assets	\$ 4,435,477	\$ 50,756	1.16%	\$ 4,384,721
Capital assets	6,184,186	555,357	9.87%	5,628,829
Total assets	<u>10,619,663</u>	<u>606,113</u>	6.05%	<u>10,013,550</u>
Long-term debt outstanding	1,363,182	546,539	66.93%	816,643
Other liabilities	155,354	(304,818)	-66.24%	460,172
Total liabilities	<u>1,518,536</u>	<u>241,721</u>	18.93%	<u>1,276,815</u>
Net assets:				
Invested in capital assets, net of related debt	5,350,207	178,948	3.46%	5,171,259
Restricted				
Expendable	2,252,046	129,381	6.10%	2,122,665
Nonexpendable	58,542	3,979	7.29%	54,563
Unrestricted	1,440,332	52,085	3.75%	1,388,247
Total net assets	<u>\$ 9,101,127</u>	<u>\$ 364,393</u>	4.17%	<u>\$ 8,736,734</u>

Table 2
Change in Net Assets (on Exhibit 2)

	2012	Change During Year		2011
		Dollars	Percent	
Revenues				
Program revenues:				
Charges for services	\$ 163,465	\$ (56,585)	-25.71%	\$ 220,050
Operating grants and contributions	2,206,969	(28,526)	-1.28%	2,235,495
Capital grants and contributions	203,040	(169,378)	-45.48%	372,418
General revenues:				
Property taxes	3,861,630	(154,506)	-3.85%	4,016,136
Grants and contributions	15,524	1,269	8.90%	14,255
Interest and investment earnings	7,694	899	13.23%	6,795
Gain (loss) on disposal of equipment	13,986	(42)	-0.30%	14,028
Other general revenues	5,811	(6,469)	-52.68%	12,280
Total revenues	<u>6,478,119</u>	<u>(413,338)</u>	-6.00%	<u>6,891,457</u>
Program expenses				
General government	689,769	(72,097)	-9.46%	761,866
Public safety	192,571	22,595	13.29%	169,976
Public works	525,371	(171,522)	-24.61%	696,893
Education	4,703,294	(22,078)	-0.47%	4,725,372
Interest on long-term debt	2,721	(4,972)	-64.63%	7,693
Total expenses	<u>6,113,726</u>	<u>(248,074)</u>	-3.90%	<u>6,361,800</u>
Increase (decrease) in net assets	<u>\$ 364,393</u>	<u>\$ (165,264)</u>	-31.20%	<u>\$ 529,657</u>

Town of Hampton, Connecticut

Management's Discussion and Analysis Year Ended June 30, 2012

The Town's total revenue decreased 6.00% (\$413,338) this year over last year. Most of this was due to a 25.71% (\$56,585) decrease in charges for services, a 45.48% (\$169,378) decrease in capital grants and contributions and 3.85% (\$154,506) decrease in property taxes. The decreases can be attributed to the continued slowing down of the economy.

Total expenses decreased by \$248,074 or 3.90%. Decreases in public works spending of \$171,522 (24.61%) resulted from the mild winter and a reduced need for plowing.

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		
	2012	2011			2012	2011	Incr. Decr.
Governmental Activities							
General government	\$ 689,769	\$ 761,866	-9.46%	\$ 145,864	\$ (59,660)	-344.49%	
Public safety	192,571	169,976	13.29%	192,571	169,976	13.29%	
Public works	525,371	696,893	-24.61%	408,684	551,598	-25.91%	
Education	4,703,294	4,725,372	-0.47%	2,790,412	2,864,230	-2.58%	
Interest on debt	2,721	7,693	-64.63%	2,721	7,693	-64.63%	
Totals	<u>\$ 6,113,726</u>	<u>\$ 6,361,800</u>	<u>-3.90%</u>	<u>\$ 3,540,252</u>	<u>\$ 3,533,837</u>	<u>0.18%</u>	

The total cost and net cost of all governmental activities decreased by only 3.90% and increased by .18% respectively. The total cost of the general government decreased 9.46% while the net costs *increased* 344.49% due to decreases in revenue from charges for services, and capital grants and contributions. Decreases in public works costs of 24.61% and net costs of 25.91% are due to the mild winter which resulted in little need for snow plowing.

THE TOWN'S FUNDS

The year showed an increase in net assets of \$364,393 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 \$375,987 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 loan proceeds of \$444,366 which are treated as an increase in fund balance in the fund financial statements when the proceeds are received. Loan proceeds are not treated as an increase in net assets on the government-wide statements.

Town of Hampton, Connecticut

Management's Discussion and Analysis
Year Ended June 30, 2012

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 appropriations increase the total budget. The Board of Finance is allowed by State Statute to make one additional appropriation up to \$20,000 per line item or department. A second additional appropriation or an appropriation over \$20,000 requires a Town Meeting. Transfers do not increase the total budget, but instead 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 \$213,500 higher than the expected revenues. Ultimately, the budget showed revenues lower than expenditures by \$49,699. This was \$163,801 better than expected.

Revenues were \$65,000 higher than budgeted. The town's tax collections were \$35,084 higher than budgeted and Intergovernmental revenues were \$21,422 higher than budgeted largely due to excess cost grant funds and other state grant funds of \$15,951 and \$7,132 respectively.

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	\$ 3,758,173	\$ 3,793,257	\$ 35,084
Intergovernmental	1,568,257	1,589,679	21,422
Local Revenue	110,005	118,499	8,494
Total Revenues	5,436,435	5,501,435	65,000
Expenditures			
General Government	1,443,162	1,374,986	68,176
Debt Service	96,115	70,950	25,165
Capital Outlay	185,000	185,000	-
Education	3,925,658	3,920,198	5,460
	5,649,935	5,551,134	98,801
Increase (Decrease) in Fund Balance	\$ (213,500)	\$ (49,699)	\$ 163,801

Town of Hampton, Connecticut

Management's Discussion and Analysis
Year Ended June 30, 2012

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of this year, the Town had \$542,185 invested in land an increase of \$500 over the prior year. The Town has \$0 invested in construction in progress a decrease of \$954,862 from the prior year. The Town had \$9,811,397 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 \$1,777,406 from last year. This is primarily due to the completed building construction, improvements and purchases. More detailed information about the Town's capital assets is presented in Note 3D to the financial statements.

Debt

At year end, the Town had no bonds outstanding. This is unchanged from last year. The Town does have notes and loans outstanding in the amount of \$833,979. More detailed information about the Town's long-term liabilities is presented in Note 3E 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 \$1,337,582 is expected to remain the same for 2012-2013. Overall Intergovernmental revenue is expected to decrease by only \$8,337 in 2012-2013.

Local revenues for 2012-2013 are budgeted to be \$3,285 more than 2011-2012 primarily due to the increase in school bus fuel.

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 \$9,697. Decreases in Administration (\$15,854), and Education (\$85,614) were offset by increases in Public Safety (\$6,032), Public works (\$9,412) Sanitation (\$2,715), Library (\$3,952), Capital and Nonrecurring (\$20,000), Dog Fund (\$4,978) and Debt Service (\$58,634).

Tax revenue was budgeted to increase 0.94% (\$35,140) from 2011-2012 to 2012-2013 with the Mill Rate remaining the same 24.8 mills.

Lastly the budget for 2012-2013 is not balanced. Revenues do not cover expenditures. Management expects to use \$93,109 of Fund Balance to balance the 2012-2013 budget. This will maintain the equity as a percentage of expenditures at about 20% and provide a cushion against the bad economy.

Town of Hampton, Connecticut

Management's Discussion and Analysis
Year Ended June 30, 2012

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

Basic Financial Statements
June 30, 2012

Town of Hampton, Connecticut

Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>
ASSETS	
Cash and equivalents	\$ 2,085,699
Receivables	
Taxes, net	223,737
Accounts, net	4,775
Loans	2,111,581
Intergovernmental	4,515
Prepaid expenses	3,980
Inventory	1,190
Capital assets	
Nondepreciable	542,185
Depreciable, net of accumulated depreciation	<u>5,642,001</u>
 Total Assets	 <u>10,619,663</u>
LIABILITIES	
Accounts payable	62,329
Accrued payroll and related	79,025
Accrued interest payable	8,771
Unearned revenues	5,229
Non-current liabilities	
Due within one year	153,273
Due in more than one year	<u>1,209,909</u>
 Total Liabilities	 <u>1,518,536</u>
NET ASSETS	
Invested in capital assets, net of related debt	5,350,207
Restricted	
Expendable	2,252,046
Nonexpendable	58,542
Unrestricted	<u>1,440,332</u>
 Total Net Assets	 <u>\$ 9,101,127</u>

Town of Hampton, Connecticut

Statement of Activities
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
General Government	\$ (679,206)	\$ 65,006	\$ 275,859	\$ 203,040	\$ (135,301)
Public Safety	(192,571)	-	-	-	(192,571)
Public Works	(525,371)	21,350	95,337	-	(408,684)
Education	(4,703,294)	77,109	1,835,773	-	(2,790,412)
Interest on long-term debt	(13,284)	-	-	-	(13,284)
Total Governmental Activities	<u>(6,113,726)</u>	<u>163,465</u>	<u>2,206,969</u>	<u>203,040</u>	<u>(3,540,252)</u>
	<u>\$ (6,113,726)</u>	<u>\$ 163,465</u>	<u>\$ 2,206,969</u>	<u>\$ 203,040</u>	<u>\$ (3,540,252)</u>
General Revenues					
Property taxes, payments in lieu of taxes, interest and liens					3,861,630
Grants and contributions not restricted to specific programs					15,524
Unrestricted interest and investment earnings					7,694
Gain (loss) on disposal of equipment					13,986
Other General Revenues					<u>5,811</u>
Total General Revenues					<u>3,904,645</u>
Change in Net Assets					364,393
Net Assets - Beginning of Year					<u>8,736,734</u>
Net Assets - End of Year					<u>\$ 9,101,127</u>

Town of Hampton, Connecticut

Balance Sheet
Governmental Funds
June 30, 2012

	General	Community Development Block Grant Fund	Capital Non- Recurring Fund	Educational Grants Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and equivalents	\$ 1,273,734	\$ 126,140	\$ 546,522	\$ 52,729	\$ 86,574	\$ 2,085,699
Taxes receivable, net of allowance for uncollectible amounts	223,737	-	-	-	-	223,737
Other receivables						
Accounts	2,000	-	2,275	1,393	500	6,168
Loans	-	2,111,581	-	-	-	2,111,581
Intergovernmental	-	-	-	-	3,122	3,122
Due from other funds	90,117	-	3,327	-	298	93,742
Prepaid expenditures	3,980	-	-	-	-	3,980
Inventories	-	-	-	-	1,190	1,190
Total Assets	<u>\$ 1,593,568</u>	<u>\$ 2,237,721</u>	<u>\$ 552,124</u>	<u>\$ 54,122</u>	<u>\$ 91,684</u>	<u>\$ 4,529,219</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 42,919	\$ 15,443	\$ -	\$ -	\$ 3,967	\$ 62,329
Accrued payroll and related	79,025	-	-	-	-	79,025
Due to other funds	-	-	-	46,747	46,995	93,742
Unearned revenues	-	-	-	5,229	-	5,229
Deferred revenues	207,298	-	2,275	-	3,122	212,695
Total Liabilities	<u>329,242</u>	<u>15,443</u>	<u>2,275</u>	<u>51,976</u>	<u>54,084</u>	<u>453,020</u>
Fund Balances						
Nonspendable	58,542	2,111,581	-	-	1,190	2,171,313
Restricted	8,948	110,697	5,687	-	15,133	140,465
Committed	-	-	198,383	-	-	198,383
Assigned	114,840	-	345,779	2,146	21,277	484,042
Unassigned	1,081,996	-	-	-	-	1,081,996
Total Fund Balances	<u>1,264,326</u>	<u>2,222,278</u>	<u>549,849</u>	<u>2,146</u>	<u>37,600</u>	<u>4,076,199</u>
Total Liabilities and Fund Balances	<u>\$ 1,593,568</u>	<u>\$ 2,237,721</u>	<u>\$ 552,124</u>	<u>\$ 54,122</u>	<u>\$ 91,684</u>	<u>\$ 4,529,219</u>

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

Town of Hampton, ConnecticutReconciliation of Governmental Funds Balance Sheet
to the Government Wide Statement of Net Assets - Governmental Activities
June 30, 2012

Fund Balances - Total Governmental Funds	\$4,076,199
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,184,186
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	212,695
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,371,953)</u>
Net Assets of Governmental Activities	<u>\$9,101,127</u>

Town of Hampton, Connecticut

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2012

	General Fund	Community Development Block Grant Fund	Capital Non- Recurring Fund	Educational Grants Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property Taxes	\$ 3,793,257	\$ -	\$ -	\$ -	\$ -	\$ 3,793,257
Local Revenue	118,499	2,144	2,576	6,860	72,411	202,490
Intergovernmental	1,831,240	251,859	201,140	86,320	129,615	2,500,174
Total Revenues	<u>5,742,996</u>	<u>254,003</u>	<u>203,716</u>	<u>93,180</u>	<u>\$ 202,026</u>	<u>6,495,921</u>
EXPENDITURES						
Current						
General Government	526,301	129,599	-	-	21,290	677,190
Public Safety	147,185	-	-	-	-	147,185
Public Works	639,020	-	-	-	-	639,020
Education	4,143,921	-	-	93,180	190,016	4,427,117
Capital Outlay	-	-	595,157	-	-	595,157
Debt Service	70,950	-	7,681	-	-	78,631
Total Expenditures	<u>5,527,377</u>	<u>129,599</u>	<u>602,838</u>	<u>93,180</u>	<u>211,306</u>	<u>6,564,300</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>215,619</u>	<u>124,404</u>	<u>(399,122)</u>	<u>-</u>	<u>(9,280)</u>	<u>(68,379)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	188,327	-	23,000	211,327
Transfers out	(208,000)	-	-	-	(3,327)	(211,327)
Proceeds from loan	-	-	444,366	-	-	444,366
Total Other Financing Sources (Uses)	<u>(208,000)</u>	<u>-</u>	<u>632,693</u>	<u>-</u>	<u>19,673</u>	<u>444,366</u>
Net Change in Fund Balances	7,619	124,404	233,571	-	10,393	375,987
Fund Balances - Beginning of Year	<u>1,256,707</u>	<u>2,097,874</u>	<u>316,278</u>	<u>2,146</u>	<u>27,207</u>	<u>3,700,212</u>
Fund Balances - End of Year	<u>\$ 1,264,326</u>	<u>\$ 2,222,278</u>	<u>\$ 549,849</u>	<u>\$ 2,146</u>	<u>\$ 37,600</u>	<u>\$ 4,076,199</u>

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2012

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

Net Change in Fund Balances - Total Governmental Funds	\$375,987
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.</p>	
Capital outlay expenditures	823,044
Depreciation expense	<u>(267,687)</u>
	<u>555,357</u>
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Real property taxes and other revenues in the General Fund	(20,924)
Revenues in the Child Nutrition Fund	<u>3,122</u>
	<u>(17,802)</u>
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>	
Proceeds from long-term debt - notes payable, loans payable and other long-term debt	(444,366)
Principal payments on long-term debt	67,957
Change in compensated absences	<u>(2,615)</u>
	<u>(379,024)</u>
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, including the change in</p>	
Accrued interest	<u>(2,610)</u>
	<u>(170,125)</u>
Change in Net Assets of Governmental Activities	<u>\$364,393</u>

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

Town of Hampton, Connecticut

Statement of Net Assets

Fiduciary Funds

June 30, 2012

	<u>Agency Funds</u>
ASSETS	
Cash	\$ <u>19,893</u>
LIABILITIES	
Due to others	<u>19,893</u>

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

Town of Hampton, Connecticut

Notes to Financial Statements
June 30, 2012

1. Summary of Significant Accounting Policies

The Town of Hampton, Connecticut (The "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. The elected Board of Finance is the budget making authority and supervises the town financial matters.

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

A. Financial Reporting Entity

The financial reporting entity consists of: a) the primary government; b) organizations for which the primary government is financially accountable and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth by GASB.

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

B. Government-Wide Financial Statements

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

The Statement of Net Assets presents the financial position of the Town at the end of its fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment 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 or services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and (3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues. The Town does not allocate indirect expenses to functions in the Statement of Activities.

Town of Hampton, Connecticut

Notes to Financial Statements (Continued)
June 30, 2012

1. Summary of Significant Accounting Policies (*Continued*)

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

C. Fund Financial Statements

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

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

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

Fund Categories

- a. Governmental Funds - Governmental funds are those through which most general government functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following are the Town's major governmental funds:
 - General Fund - The General Fund constitutes the primary operating fund of the Town and is used to account for and report all financial resources not accounted for and reported in another fund.
 - Community Development Block Grant Fund (CDBG) – The CDBG 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.
 - Capital Nonrecurring Fund – The Capital Nonrecurring Fund is used to account for the accumulation of assets for expenditures against the five year capital improvement plan.
 - Educational Grants Fund – The Educational Grants Fund is used to account for educational grants. These funds are legally restricted to expenditures for a particular educational purpose.

Town of Hampton, Connecticut

Notes to Financial Statements (Continued)

June 30, 2012

1. Summary of Significant Accounting Policies (*Continued*)

- b. Fiduciary Funds (Not Included in Government-Wide Financial Statements) - The Fiduciary Funds are used to account for assets held by the Town in an agency capacity on behalf of others. This includes Agency funds. The Agency Funds are primarily utilized to account for monies held as custodian for outside student groups.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds. The Agency Fund has no measurement focus and utilizes the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

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

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

Town of Hampton, Connecticut

Notes to Financial Statements (Continued)

June 30, 2012

1. Summary of Significant Accounting Policies (*Continued*)

E. Assets, Liabilities and Net Assets or Fund Balances

Deposits, Investments and Risk Disclosure

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

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

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

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

The Short-Term Investment Fund (STIF), is a money market investment pool managed by the Cash Management Division of the State Treasurer's Office created by Section 3-27 of the Connecticut General Statutes (CGS). Pursuant to CGS 3-27a through 3-27f, the State, municipal entities, and political subdivisions of the State are eligible to invest in the fund. The fund is considered a "2a7-like" pool and, as such, reports its investments at amortized cost (which approximates fair value). A 2a7-like pool is not necessarily registered with the Security and Exchange Commission (SEC) as an investment company, but 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 overseen by the Office of the State Treasurer. The pool is rated AAAM by Standard & Poor. This is the highest rating for money market funds and investment pools. The pooled investment funds' risk category cannot be determined since the Town does not own identifiable securities but invests as a shareholder of the investment pool. The fair value of the position in the pool is the same as the value of the pool shares.

Town of Hampton, Connecticut

Notes to Financial Statements (Continued)
June 30, 2012

1. Summary of Significant Accounting Policies (*Continued*)

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

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

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

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

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

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

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

Loans Receivable - Loans receivable in the Community Development Block Grant Fund represent amounts due from homeowners in the Town and surrounding towns. Loans receivable are recorded and revenues recognized as earned. The loans are funded through a federal grant. The loans are due in full when the homeowner dies, refinances or sells the property. There is no interest on the loans. The loans are secured by a lien on the property.

Town of Hampton, Connecticut

Notes to Financial Statements (Continued)
June 30, 2012

1. Summary of Significant Accounting Policies (*Continued*)

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

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

Advances From/To Other Funds - Advances from/to other funds represent loans to other funds, which are not expected to be repaid within the subsequent annual operating cycle. The advances are offset by nonspendable fund balance in the fund financial statements, which indicates that the funds are not "available" for appropriation and are not expendable available financial resources.

Due From/To Other Funds - During the course of its operations, the Town has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of June 30, 2012, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

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

Town of Hampton, Connecticut

Notes to Financial Statements (Continued)
June 30, 2012

1. Summary of Significant Accounting Policies (*Continued*)

<u>Assets</u>	<u>Years</u>	<u>Capitalization Threshold</u>
Land	N/A	\$ 5,000
Buildings and improvements	40	\$ 5,000
Heavy equipment	10	\$ 5,000
Vehicles	10	\$ 5,000
Other equipment	10	\$ 5,000
Intangible assets	Varies, if any	\$ 5,000
Infrastructure	40	\$ 5,000

Unearned/Deferred Revenues - Unearned/deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. In the government-wide financial statements, unearned revenues consist of revenue received in advance and/or amounts from grants received before the eligibility requirements have been met. Deferred revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Such amounts in the fund financial statements have been deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Compensated Absences - 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 these 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 the governmental funds only if the liability has matured through employee resignation or retirement.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets on the Statement of Net Assets include, invested in capital assets, net of related debt, restricted for debt service and special revenue funds. The balance is classified as unrestricted.

Town of Hampton, Connecticut

Notes to Financial Statements (Continued)
June 30, 2012

1. Summary of Significant Accounting Policies (*Continued*)

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

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

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

Town of Hampton, Connecticut

Notes to Financial Statements (Continued)
June 30, 2012

1. Summary of Significant Accounting Policies (*Continued*)

F. Encumbrances

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

G. Use of Estimates

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

H. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is January 20, 2013.

2. Stewardship, Compliance and Accountability

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:

- **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.

Town of Hampton, Connecticut

Notes to Financial Statements (Continued)
June 30, 2012

2. Stewardship, Compliance and Accountability (Continued)

B. Budget Calendar

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

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

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

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.

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

3. Detailed Notes on All Funds

A. Cash and Cash Equivalents

Cash and cash equivalents of the Town consist of the following at June 30, 2012:

Statement of Net Assets	
Cash and equivalents	\$ 2,085,699
Fiduciary Funds	
Cash and equivalents	19,893
Total Cash and Investments	<u>\$ 2,105,592</u>

Town of Hampton, Connecticut

Notes to Financial Statements (Continued)
June 30, 2012

3. Detailed Notes on All Funds (Continued)

Cash and Cash Equivalents - As of June 30, 2012 the carrying amount of the Town's deposits with financial institutions was:

Cash and Cash Equivalents	
Deposits with financial institutions	\$ 1,392,178
Plus external investment pools	713,414
	<u>\$ 2,105,592</u>

The bank balance of the deposits was \$1,476,188 and was exposed to custodial credit risk as follows:

Covered by Federal Depository Insurance	\$ 812,432
Uninsured and uncollateralized	663,756
	<u>\$ 1,476,188</u>

B. Receivables, Deferred Revenue and Unearned Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. The following were reported as *deferred revenue* because they were not received within 60 days of the year end

	General Fund	Community Development Block Grant	Capital Nonrecurring Fund	Educational Grants Fund	Other Governmental Funds
Property taxes	\$ 207,298	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	-	-	2,275	-	3,122
	<u>\$ 207,298</u>	<u>\$ -</u>	<u>\$ 2,275</u>	<u>\$ -</u>	<u>\$ 3,122</u>

Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. This is recorded as the liability *unearned revenue* at June 30, 2012

	General Fund	Community Development Block Grant	Capital Nonrecurring Fund	Educational Grants Fund	Other Governmental Funds
Advances on grants	\$ -	\$ -	\$ -	\$ 5,229	\$ -
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,229</u>	<u>\$ -</u>

C. Interfund Transactions

The outstanding balances between funds result mainly from the time lag between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur; 2) transactions are recorded in the accounting system; and 3) payments between funds are made. At June 30, 2012 these were summarized as follows

Town of Hampton, Connecticut

Notes to Financial Statements (Continued)
June 30, 2012

3. Detailed Notes on All Funds (Continued)

Receivable fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 43,668
General Fund	Education Grants Fund	46,747
Capital Nonrecurring Fund	Other Governmental Funds	3,327
		<u>\$ 93,742</u>

Fund transfers are generally used to fund special projects with general fund revenues. Transfers during the year ended June 30, 2012 were as follows

	Transfers into:				Total
	General Fund	Community Development Block Grant	Capital Nonrecurring Fund	Other Governmental Funds	
Transfers out of:					
General Fund	\$ -	\$ -	\$ 185,000	\$ 23,000	\$ 208,000
Other governmental funds	-	-	3,327	-	3,327
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 188,327</u>	<u>\$ 23,000</u>	<u>\$ 211,327</u>

D. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 541,685	\$ 500	\$ -	\$ 542,185
Construction in progress	954,862	-	(954,862)	-
	<u>1,496,547</u>	<u>500</u>	<u>(954,862)</u>	<u>542,185</u>
Capital assets being depreciated				
Buildings and systems	5,622,922	1,568,798	-	7,191,720
Machinery and equipment	1,540,457	-	-	1,540,457
Infrastructure	870,612	208,608	-	1,079,220
	<u>8,033,991</u>	<u>1,777,406</u>	<u>-</u>	<u>9,811,397</u>
Total Capital Assets	9,530,538	1,777,906	(954,862)	10,353,582
Less accumulated depreciation	(3,901,709)	(267,687)	-	(4,169,396)
	<u>\$ 5,628,829</u>	<u>\$ 1,510,219</u>	<u>\$ (954,862)</u>	<u>\$ 6,184,186</u>

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

General Government	18,109
Public Safety	40,241
Public Works	66,054
Education	143,283
	<u>\$ 267,687</u>

Town of Hampton, Connecticut

Notes to Financial Statements (Continued)
June 30, 2012

3. Detailed Notes on All Funds (Continued)

E. Long-Term Liabilities

The following table summarizes changes in the Town's long-term indebtedness for the year ending June 30, 2012:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes and loans	\$ 450,000	\$ 444,366	\$ (60,387)	\$ 833,979	\$ 149,233
Capital leases	7,570	-	(7,570)	-	-
Compensated absences	23,060	2,615	-	25,675	4,040
OPEB obligations	336,013	182,455	(14,940)	503,528	-
	<u>\$ 816,643</u>	<u>\$ 629,436</u>	<u>\$ (82,897)</u>	<u>\$ 1,363,182</u>	<u>\$ 153,273</u>

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

Notes Payable

The Town has two installment notes as follows:

	<u>Balance at Year End</u>
Note payable on the construction of the town garage. The original amount of the note was \$650,000. It is payable in semiannual installments together with interest at a rate of 3.276% per annum. The note matures on March 16, 2016.	\$589,613
Note payable on the Hampton Elementary School roof. The original amount of the note was \$244,366. It is payable in semiannual installments together with interest at a rate of 3.125% per annum. The note matures on August 25, 2016.	<u>244,366</u>
	<u>\$833,979</u>

Annual debt service requirements to maturity for the loans and notes payable are as follows

Year End	Notes and Loans	
	Principal	Interest
2013	\$ 149,233	\$ 21,983
2014	179,987	20,546
2015	185,818	14,715
2016	191,838	8,696
2017	127,103	2,481
Total	<u>\$ 833,979</u>	<u>\$ 68,421</u>

Interest paid and expensed on notes and loans for the year ended June 30, 2012 totaled \$10,563.

Town of Hampton, Connecticut

Notes to Financial Statements (Continued)
June 30, 2012

3. Detailed Notes on All Funds (Continued)

Capital Leases Payable

The Town had entered into a lease agreement to finance the acquisition of a 2010 Ford F-350. The cost of the 2010 Ford F-350 is included in the capital assets with a cost of \$58,414 and accumulated depreciation of \$15,090. This lease qualifies as a capital lease for accounting purposes. The Town's capital lease obligation was satisfied as of June 30, 2012. The debt service payment on the capital lease was paid through the Capital Nonrecurring Fund.

Legal Debt Limit

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

Total tax collections (including interest and lien fees) for the year - primary government	\$ 3,782,889
Reimbursement for revenue loss on tax relief for the elderly (C.G.S. 12-129d)	18,907
Debt limitation base	<u>\$ 3,801,796</u>

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation					
2 1/4 times base	\$ 8,554,041	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	17,108,082	-	-	-
3 3/4 times base	-	-	14,256,735	-	-
3 1/4 times base	-	-	-	12,355,837	-
3 times base	-	-	-	-	11,405,388
Total debt limitation	<u>8,554,041</u>	<u>17,108,082</u>	<u>14,256,735</u>	<u>12,355,837</u>	<u>11,405,388</u>
Indebtedness					
Bonds payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of debt outstanding and authorized	<u>\$ 8,554,041</u>	<u>\$ 17,108,082</u>	<u>\$ 14,256,735</u>	<u>\$ 12,355,837</u>	<u>\$ 11,405,388</u>

In no case shall total indebtedness exceed seven times the annual receipts from taxation \$ 26,612,572

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 Financial Statements (Continued)
 June 30, 2012

3. Detailed Notes on All Funds (Continued)

F. Net Assets

The components of net assets are detailed below:

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

Restricted Net Assets - Nonexpendable - the component of net assets that reflects funds set aside in accordance with laws, regulations, grants, and other agreements that must be kept intact and cannot be spent. This totals \$58,542.

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

General Government	\$ 2,231,226
Education	15,133
Capital Projects	5,687
	<u>\$ 2,252,046</u>

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

G. Fund Balances

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

	General Fund	Community Development Block Grant	Capital Nonrecurring Fund	Educational Grants Fund	Other Governmental Funds
Nonspendable					
Not in spendable form					
Prepaid expenditures	\$ 3,980	\$ -	\$ -	\$ -	\$ -
Inventories	-	-	-	-	1,190
Long-term receivables	-	2,111,581	-	-	-
Required to be maintained					
Trust principal	54,562	-	-	-	-
	<u>\$ 58,542</u>	<u>\$ 2,111,581</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,190</u>

Town of Hampton, Connecticut

Notes to Financial Statements (Continued)
 June 30, 2012

3. Detailed Notes on All Funds (Continued)

	General Fund	Community Development Block Grant	Capital Nonrecurring Fund	Educational Grants Fund	Other Governmental Funds
Restricted					
General Government	\$ 8,948	\$ 110,697	\$ -	\$ -	\$ -
Education	-	-	-	-	15,133
Capital Projects	-	-	5,687	-	-
	<u>\$ 8,948</u>	<u>\$ 110,697</u>	<u>\$ 5,687</u>	<u>\$ -</u>	<u>\$ 15,133</u>
Committed					
Capital Projects	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 198,383</u>	<u>\$ -</u>	<u>\$ -</u>
Assigned					
Education	\$ 21,731	\$ -	\$ -	\$ 2,146	\$ 3,449
Culture and Recreation	-	-	-	-	17,828
Capital Projects	-	-	345,779	-	-
To balance next year's budget	93,109	-	-	-	-
	<u>\$ 114,840</u>	<u>\$ -</u>	<u>\$ 345,779</u>	<u>\$ 2,146</u>	<u>\$ 21,277</u>

H. Employee Retirement Systems and Pension Plans

Teachers Retirement System

Teachers and certain other certified personnel in the Town are eligible to participate in the State of Connecticut Teachers' Retirement System, a multiple employer public employees retirement system described in the Connecticut General Statutes, Chapter 167a. The system has been established to provide retirement and other benefits for teachers, their survivors and beneficiaries. A member is eligible to receive a normal retirement benefit who (1) has reached the age of sixty and has accumulated twenty years of credited service in the public schools of Connecticut or (2) has attained any age and has accumulated thirty-five years of credited service, at least twenty-five years of which are service in the public schools of Connecticut. The financial report may be obtained through the State Teachers' 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, 2012, the State contributed \$241,561 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, 2012 was \$1,904,996 of which \$1,176,744 was covered under this pension plan.

Town of Hampton, Connecticut

Notes to Financial Statements (Continued)
June 30, 2012

3. Detailed Notes on All Funds (Continued)

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 \$3,429 in the aggregate was deposited into their accounts. The total wages for all Town employees was \$1,904,996 and the total wages for covered employees was \$114,290. The administrator of the plan is T. Rowe Price Trust Company.

I. Other Post Employment Benefit (OPEB)

Plan Description

The Hampton Public Schools Other Post Employment Benefit Program is a single-employer defined benefit plan administered by the Town 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.

Actuarial Assumptions and Methods

The Town 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%
Payroll Growth Rate	3.00%
Medical Inflation	Initial rate of 9% grading down to an ultimate inflation rate of 3% in 2020 and later.

Town of Hampton, Connecticut

Notes to Financial Statements (Continued)
 June 30, 2012

3. Detailed Notes on All Funds (Continued)

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

Schedule of Funding Progress

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

Valuation Date	Value of Assets	Actuarial Accrued Liability	Excess (Unfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Excess (Unfunded) Liability as a % of Covered Payroll
July 1, 2010	\$ -	\$ 2,479,630	\$ (2,479,630)	0.0%	\$ 1,205,596	-205.7%

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	\$ -	0.0%	\$ 162,507
2011	\$ 188,446	\$ 14,940	7.9%	\$ 336,013
2012	\$ 182,455	\$ 14,940	8.2%	\$ 503,528

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 Financial Statements (Continued)
June 30, 2012

3. Detailed Notes on All Funds (Continued)

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

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	\$ 188,446
Interest on Net OPEB Obligation	13,441
Adjustment to Annual Required Contribution	(19,432)
Annual OPEB Cost	<u>182,455</u>
Contributions made	<u>(14,940)</u>
Increase in net OPEB Obligation	167,515
Net OPEB Obligation - Beginning of the year	336,013
Net OPEB Obligation - End of the year	<u><u>\$ 503,528</u></u>

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.

4. Other Information

A. Litigation

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

B. Contingencies

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

Town of Hampton, Connecticut

Notes to Financial Statements (Continued)
June 30, 2012

4. Other Information (*Continued*)

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 of 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. 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.

D. Concentrations

The Town has one taxpayer who makes up 14 percent of delinquent accounts. The total amount owed is \$36,605.

E. Encumbrances

The Town uses encumbrance accounting for budgeting in the General Fund. At year end, the Town had \$45,792 and the Board of Education has \$21,731 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.

F. Jointly Governed Organizations

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 is reported in their respective financial statements.

During the year, the Town paid \$1,425 into the transfer station for waste disposal.

The transfer station does not have separate financial statements.

Town of Hampton, Connecticut

Notes to Financial Statements (Continued)
June 30, 2012

4. Other Information (*Continued*)

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

During the year, the Town paid \$396 into MID-DEROC for recycling services.

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

G. Subsequent Transactions

In August 2012 the Town purchased property on Route 97 known as the "Loiselle property" for \$174,000. This was funded with the land acquisition monies in the Capital Nonrecurring Fund.

H. 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.
- 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 discusses transactions that result in the consumption or acquisition of net assets in one period that are applicable to future periods and provides guidance for reporting them. This statement is effective for periods beginning after December 15, 2011.

Town of Hampton, Connecticut

Notes to Financial Statements (Continued)
June 30, 2012

5. Subsequent Events (*Continued*)

- GASB Statement 65 – *Items Previously Reported as Assets and Liabilities* – This statement further clarifies that appropriate use of the financial statement elements of deferred outflows and deferred inflows of resources to ensure consistency in financial reporting. This statement is effective for periods beginning after December 15, 2012.
- GASB Statement 66 – *Technical Corrections - 2012* – This statement resolves conflicting guidance. This statement is effective for periods beginning after December 15, 2012.
- GASB Statement 68 - *Accounting and Financial Reporting for Pensions* – This statement, and GASB Statement 67 applicable to pension plans, improves information provided by state and local government employers for better decision making, accountability, interperiod equity, and creating additional transparency.

Town of Hampton, Connecticut

Required Supplementary Information
June 30, 2012

Town of Hampton, Connecticut

Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Budgetary Basis) - General Fund
 Year Ended June 30, 2012

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
REVENUES					
Property Tax Revenues					
Property taxes	\$3,758,173	\$ -	\$3,758,173	\$ 3,793,257	\$ 35,084
	<u>3,758,173</u>	<u>-</u>	<u>3,758,173</u>	<u>3,793,257</u>	<u>35,084</u>
State of Connecticut Revenue:					
Education cost sharing	1,337,582	-	1,337,582	1,337,582	-
Town aid road	95,019	-	95,019	95,337	318
PILOT - state property	33,135	-	33,135	33,148	13
Local capital improvement	31,302	-	31,302	29,612	(1,690)
School transportation	22,130	-	22,130	21,622	(508)
PILOT - elderly veterans	18,742	-	18,742	18,907	165
Pequot/Mohegan fund	15,483	-	15,483	15,524	41
Solar energy systems grant	8,000	-	8,000	8,000	-
State preservation	3,500	-	3,500	3,500	-
Public education green energy	2,000	-	2,000	2,000	-
Other state grants	1,364	-	1,364	8,496	7,132
Special education excess cost	-	-	-	15,951	15,951
	<u>1,568,257</u>	<u>-</u>	<u>1,568,257</u>	<u>1,589,679</u>	<u>21,422</u>
Local Revenue					
School bus fee	25,755	-	25,755	22,234	(3,521)
Transfer station permits	12,000	-	12,000	10,615	(1,385)
Building permits	10,000	-	10,000	12,917	2,917
Recording fees	10,000	-	10,000	9,335	(665)
Sale of equipment and recyclable	9,000	-	9,000	13,986	4,986
Conveyance tax	9,000	-	9,000	7,516	(1,484)
Telecommunication property tax	7,000	-	7,000	6,375	(625)
Scotland transfer station reimbursement	5,000	-	5,000	7,223	2,223
Transfer station disposal fee	5,000	-	5,000	3,512	(1,488)
Miscellaneous	4,000	-	4,000	4,016	16
Interest income	3,500	-	3,500	4,755	1,255
Ambulance corp fee	2,000	-	2,000	3,744	1,744
Photocopies	1,750	-	1,750	2,418	668
Dog license	1,500	-	1,500	2,462	962
Miscellaneous permits	1,500	-	1,500	1,874	374
Inland wetland permits	1,000	-	1,000	1,090	90
Community center revenue	1,000	-	1,000	845	(155)
Planning and zoning book	750	-	750	680	(70)
Licensing	250	-	250	150	(100)
Donations	-	-	-	1,900	1,900
Youth sports	-	-	-	852	852
	<u>110,005</u>	<u>-</u>	<u>110,005</u>	<u>118,499</u>	<u>8,494</u>
Total Revenues	<u>5,436,435</u>	<u>-</u>	<u>5,436,435</u>	<u>5,501,435</u>	<u>65,000</u>

(Continued)

Town of Hampton, Connecticut

Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Budgetary Basis) - General Fund
 Year Ended June 30, 2012

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
EXPENDITURES					
Administration					
Board of Selectmen					
First selectman	24,355	-	24,355	24,355	-
Second selectman	3,620	-	3,620	3,620	-
Third selectman	3,620	-	3,620	3,620	-
Administrative assistant salary	14,350	27	14,377	14,377	-
Selectmen mileage	750	(27)	723	635	88
Selectmen supplies and training	350	-	350	240	110
Selectman computer support	6,000	-	6,000	5,386	614
Tax collector					
Tax collector salary	25,084	-	25,084	25,084	-
Tax collector assistant	3,000	-	3,000	2,018	982
Tax collector equipment and supplies	1,000	-	1,000	525	475
Tax collector's mileage	1,000	-	1,000	844	156
Tax Collector's refund overpaid tax	9,000	-	9,000	4,174	4,826
Tax collector computer support	5,500	-	5,500	5,215	285
Tax collector professional expenses	950	(600)	350	304	46
Tax collector postage-legal notice	3,500	1,130	4,630	4,629	1
Tax collection expense:	2,100	(530)	1,570	1,420	150
Board of assessment appeal:	250	-	250	-	250
Town clerk					
Town clerk's salary	22,871	-	22,871	22,871	-
Town clerk land records	11,225	(565)	10,660	9,303	1,357
Town clerk's assistant salary	1,200	186	1,386	1,386	-
Town clerk mailing costs	600	(35)	565	458	107
Town clerk mileage	400	-	400	310	90
Town clerk professional expenses	150	54	204	203	1
Town clerk conference/education	800	(205)	595	562	33
Town clerk vital statistics	50	-	50	-	50
Town clerk legal notices	5,000	-	5,000	4,551	449
Town clerk general office supplies	5,000	-	5,000	4,963	37
Record management projects	3,500	-	3,500	3,500	-
Town clerk equipment	400	-	400	-	400
Town counsel	9,000	-	9,000	8,851	149
Treasurer					
Treasurer salary	16,613	-	16,613	16,613	-
Treasurer computer supplies	800	-	800	602	198
Treasurer mileage	650	-	650	403	247
Treasurer computer support	1,700	-	1,700	1,393	307
Treasurer professional expenses	65	-	65	65	-
Treasurer postage	500	-	500	407	93
Treasurer payroll service fee:	600	-	600	419	181
Assessor					
Assessor's salary	22,701	187	22,888	22,887	1
Assessor's mileage	200	-	200	127	73
Assessor's education	200	(100)	100	100	-
Assessor's professional expenses	700	(87)	613	575	38
Assessor's computer support	7,300	-	7,300	7,300	-
Assessor's mapping	1,750	-	1,750	1,700	50
Assessor office supplies/postage	400	-	400	220	180
Assessor web hosting	2,200	-	2,200	2,200	-
Town Hall:					
Town hall photocopier	2,500	666	3,166	3,164	2
Town hall water	1,100	-	1,100	1,087	13
Town hall maintenance	14,000	-	14,000	13,648	352

(Continued)

Town of Hampton, Connecticut

Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Budgetary Basis) - General Fund
 Year Ended June 30, 2012

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Election					
Election registrars	11,880	-	11,880	9,401	2,479
Election other salaries	8,134	-	8,134	6,551	1,583
Election training	2,490	(1,308)	1,182	1,182	-
Election postage and supplies	805	35	840	721	119
Election memory cards and ballot	4,428	-	4,428	1,261	3,167
Election HAVA expense	900	-	900	857	43
Planning and zoning					
Planning and zoning salaries	15,800	-	15,800	14,069	1,731
Planning and zoning legal notices	2,000	-	2,000	1,101	899
Planning and zoning mileage	150	-	150	57	93
DEP land use fees	180	-	180	116	64
Conservation	500	-	500	79	421
Planning and zoning training	500	-	500	83	417
Planning and zoning supplies	1,600	-	1,600	1,518	82
Planning and zoning legal and engineering	4,000	-	4,000	1,600	2,400
Planning and zoning planning service	2,500	-	2,500	1,816	684
Planning and zoning professional fee	260	-	260	194	66
Inland wetlands					
Inland wetlands	4,455	-	4,455	2,289	2,166
Inland wetlands legal notices	300	386	686	685	1
Inland wetlands mileage	354	(50)	304	-	304
Inland wetlands filing fees	180	-	180	116	64
Inland wetlands supplies	570	(286)	284	160	124
Inland wetlands training	165	(50)	115	-	115
Auditor and fixed assets	32,235	-	32,235	27,010	5,225
Utilities and oil					
Transfer station electric	1,000	(221)	779	773	6
Transfer station telephone	400	253	653	652	1
Town hall electric	8,000	(25)	7,975	5,584	2,391
Town hall oil	7,000	(295)	6,705	3,252	3,453
Town garage oil	6,000	2,769	8,769	8,769	-
Town hall cable	1,350	40	1,390	1,389	1
Town hall telephone	2,000	1,233	3,233	3,232	1
Town garage electric	5,000	130	5,130	5,129	1
Town garage telephone	1,000	25	1,025	1,024	1
Street light	300	-	300	243	57
Fire department oil	5,000	-	5,000	3,085	1,915
Community center water	375	-	375	290	85
Community center electric	1,400	-	1,400	925	475
Community center oil	4,200	-	4,200	1,716	2,484
Community center cleaning	1,500	-	1,500	1,280	220
Community center alarm	300	-	300	-	300
Community center supplies	500	-	500	439	61
Community center maintenance	575	-	575	575	-
Solar energy system	16,000	-	16,000	16,000	-
Public education green energy	2,000	-	2,000	-	2,000
Green energy committee training	500	-	500	500	-
Simple IRA	4,300	-	4,300	3,429	871
Health insurance	91,615	-	91,615	90,117	1,498
	<u>493,305</u>	<u>2,737</u>	<u>496,042</u>	<u>445,583</u>	<u>50,459</u>

(Continued)

Town of Hampton, Connecticut

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) - General Fund
Year Ended June 30, 2012

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Public Safety					
Fire marshal-emergency coordinator	9,325	-	9,325	8,600	725
Fire department	58,275	-	58,275	58,275	-
Ambulance	12,000	-	12,000	12,000	-
911 dues	5,018	-	5,018	5,018	-
Paramedic	2,144	-	2,144	2,144	-
Building inspector	16,891	-	16,891	16,891	-
Building inspector mileage	1,200	150	1,350	1,346	4
Building inspector supplies	2,190	(150)	2,040	349	1,691
Building inspector training	300	-	300	296	4
Building inspector clerk	1,700	-	1,700	1,253	447
Fire department volunteer incentive	18,000	-	18,000	17,656	344
Burning permits	200	-	200	110	90
	<u>127,243</u>	<u>-</u>	<u>127,243</u>	<u>123,938</u>	<u>3,305</u>
Public Works					
Road paving	220,000	-	220,000	216,507	3,493
Road maintenance	70,000	57,488	127,488	127,467	21
Road maintenance payro	150,288	(42,451)	107,837	107,837	-
LOCIP expense	31,302	30,748	62,050	62,050	-
Gasoline	8,000	(4,250)	3,750	3,117	633
Diesel	32,000	4,250	36,250	36,243	7
Safety committee	2,000	25	2,025	2,025	-
Salt storage	5,500	-	5,500	5,500	-
Small tools	3,500	(25)	3,475	2,926	549
Signs	500	-	500	500	-
Tree removal	3,000	5,150	8,150	8,150	-
	<u>526,090</u>	<u>50,935</u>	<u>577,025</u>	<u>572,322</u>	<u>4,703</u>
Sanitation	<u>108,800</u>	<u>4,737</u>	<u>113,537</u>	<u>112,469</u>	<u>1,068</u>
Health and Welfare					
Public health services	1,000	-	1,000	1,000	-
Northeast District Department of Health	8,384	-	8,384	8,383	1
TVCCA	482	-	482	482	-
United Services	1,231	-	1,231	1,231	-
Access Agency	500	-	500	500	-
Senior citizens	3,100	-	3,100	1,900	1,200
Sexual assault crisis service	500	-	500	500	-
NECASA	264	-	264	264	-
No freeze shelter	200	-	200	200	-
	<u>15,661</u>	<u>-</u>	<u>15,661</u>	<u>14,460</u>	<u>1,201</u>
Recreation Commissior	3,000	-	3,000	3,000	-
Education					
Parish Hill High School	1,669,470	-	1,669,470	1,669,470	-
Hampton Elementary School	2,256,188	-	2,256,188	2,250,728	5,460
	<u>3,925,658</u>	<u>-</u>	<u>3,925,658</u>	<u>3,920,198</u>	<u>5,460</u>
Library	26,728	-	26,728	26,728	-
Social Security Town Share	28,600	-	28,600	23,371	5,229
Insurance and Bonds	37,000	-	37,000	36,182	818

(Continued)

Town of Hampton, Connecticut

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) - General Fund
Year Ended June 30, 2012

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Contingency	15,000	(12,651)	2,349	2,349	-
Miscellaneous					
Memorial day parade	450	-	450	355	95
Organization dues	725	-	725	725	-
Dial-a-Ride	4,895	-	4,895	4,895	-
Walking weekend	250	-	250	250	-
Probate court	690	27	717	717	-
Eastern CT Soil and Conservation	300	-	300	300	-
WINCOG	1,640	-	1,640	1,640	-
	<u>8,950</u>	<u>27</u>	<u>8,977</u>	<u>8,882</u>	<u>95</u>
Debt Service	141,900	(45,785)	96,115	70,950	25,165
Capital and Non-Recurring	85,000	100,000	185,000	185,000	-
Dog Fund	<u>7,000</u>	<u>-</u>	<u>7,000</u>	<u>5,702</u>	<u>1,298</u>
Total Expenditures	<u>5,549,935</u>	<u>100,000</u>	<u>5,649,935</u>	<u>5,551,134</u>	<u>98,801</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (113,500)</u>	<u>\$ (100,000)</u>	<u>\$ (213,500)</u>	(49,699)	<u>\$ 163,801</u>
Adjustments to Generally Accepted Accounting Principles (GAAP)					
Payments on Behalf of the Town Not Recorded on a Budgetary Basis					
Revenues from Teachers' Retirement				241,561	
Expenditures for Teachers' Retirement				(241,561)	
Change in accrued payroll not recorded on a budgetary basis				(2,812)	
Current year encumbrances				67,523	
Prior year encumbrances				<u>(7,393)</u>	
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses - GAAP Basis (Exhibit 4)				<u>\$ 7,619</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

Combining Fund Financial Statements
June 30, 2012

Town of Hampton, Connecticut

Combining Balance Sheet
 Special Revenue Funds
 June 30, 2012

	School Readiness Preschool	Child Nutrition Program	Preschool/ Latchkey Fund	Recreation Fund	Youth Fund	Total Special Revenue Funds
ASSETS						
Cash and equivalents	\$ 35,461	\$ 28,746	\$ 3,327	\$ 12,886	\$ 6,154	\$ 86,574
Other receivables						
Accounts	-	-	-	-	500	500
Intergovernmental	-	3,122	-	-	-	3,122
Due from other funds	-	298	-	-	-	298
Inventories	-	1,190	-	-	-	1,190
Total Assets	<u>\$ 35,461</u>	<u>\$ 33,356</u>	<u>\$ 3,327</u>	<u>\$ 12,886</u>	<u>\$ 6,654</u>	<u>\$ 91,684</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 1,236	\$ 1,019	\$ -	\$ -	\$ 1,712	\$ 3,967
Due to other funds	19,092	24,576	3,327	-	-	46,995
Deferred revenues	-	3,122	-	-	-	3,122
Total Liabilities	<u>20,328</u>	<u>28,717</u>	<u>3,327</u>	<u>-</u>	<u>1,712</u>	<u>54,084</u>
Fund Balances						
Nonspendable	-	1,190	-	-	-	1,190
Restricted	15,133	-	-	-	-	15,133
Assigned	-	3,449	-	12,886	4,942	21,277
Total Fund Balances	<u>15,133</u>	<u>4,639</u>	<u>-</u>	<u>12,886</u>	<u>4,942</u>	<u>37,600</u>
Total Liabilities and Fund Balances	<u>\$ 35,461</u>	<u>\$ 33,356</u>	<u>\$ 3,327</u>	<u>\$ 12,886</u>	<u>\$ 6,654</u>	<u>\$ 91,684</u>

Town of Hampton, Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Special Revenue Funds
 Year Ended June 30, 2012

	School Readiness	Child Nutrition Program	Preschool/ Latchkey Fund	Recreation Fund	Youth Fund	Total Special Revenue Funds
REVENUES						
Local Revenue	\$ 19,550	\$ 25,138	\$ 3,327	\$ 12,521	\$ 11,875	\$ 72,411
Intergovernmental	110,971	18,644	-	-	-	129,615
Total Revenues	<u>130,521</u>	<u>43,782</u>	<u>3,327</u>	<u>12,521</u>	<u>11,875</u>	<u>202,026</u>
EXPENDITURES						
Current						
General Government	-	-	-	11,357	9,933	21,290
Education	127,731	62,285	-	-	-	190,016
Total Expenditures	<u>127,731</u>	<u>62,285</u>	<u>-</u>	<u>11,357</u>	<u>9,933</u>	<u>211,306</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,790</u>	<u>(18,503)</u>	<u>3,327</u>	<u>1,164</u>	<u>1,942</u>	<u>(9,280)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	20,000	-	-	3,000	23,000
Transfers out	-	-	(3,327)	-	-	(3,327)
Total Other Financing Sources (Uses)	<u>-</u>	<u>20,000</u>	<u>(3,327)</u>	<u>-</u>	<u>3,000</u>	<u>19,673</u>
Net Change in Fund Balances	2,790	1,497	-	1,164	4,942	10,393
Fund Balances - Beginning of Year	<u>12,343</u>	<u>3,142</u>	<u>-</u>	<u>11,722</u>	<u>-</u>	<u>27,207</u>
Fund Balances - End of Year	<u>\$ 15,133</u>	<u>\$ 4,639</u>	<u>\$ -</u>	<u>\$ 12,886</u>	<u>\$ 4,942</u>	<u>\$ 37,600</u>

Town of Hampton, Connecticut

Combining Statement of Net Assets
 Agency Funds
 Year Ended June 30, 2012

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Ending</u>
Student Activity Fund				
ASSETS				
Cash	<u>\$ 18,648</u>	<u>\$ 12,493</u>	<u>\$ (11,248)</u>	<u>\$ 19,893</u>
LIABILITIES				
Due to students	<u>\$ 18,648</u>	<u>\$ 12,493</u>	<u>\$ (11,248)</u>	<u>\$ 19,893</u>

Town of Hampton, Connecticut

Supplementary Schedules
June 30, 2012

Town of Hampton, Connecticut

Report of the Property Tax Collector - Cash Basis
Year Ended June 30, 2012

Grand List Year	Beginning Receivable Balance	Current Year Levy	Lawful Corrections		Net Taxes Collectible	Collections During the Year				Transfer to Suspense	Net Ending Receivable Balance	
			Additions	Deductions		Taxes	Interest	Liens	Suspense			Total
2010	\$ -	\$ 3,789,345	\$ 4,436	\$ (10,190)	\$ 3,783,591	\$ 3,695,670	\$ 12,425	\$ 40	\$ -	\$ 3,708,135	\$ -	\$ 87,921
2009	89,456	-	3	(3,445)	86,014	36,432	8,458	384	-	45,274	-	49,582
2008	41,253	-	-	(2,861)	38,392	11,905	5,592	247	-	17,744	-	26,487
2007	11,650	-	-	-	11,650	3,581	1,882	134	-	5,597	-	8,069
2006	4,287	-	-	-	4,287	254	217	71	-	542	-	4,033
2005	3,660	-	-	-	3,660	-	415	85	-	500	110	3,550
2004	3,414	-	-	-	3,414	347	428	116	-	891	112	2,955
2003	4,465	-	-	(145)	4,320	882	1,216	308	-	2,406	132	3,306
2002	4,483	-	-	-	4,483	160	127	43	-	330	262	4,061
2001	3,441	-	-	-	3,441	-	-	-	-	-	543	2,898
2000	1,966	-	-	-	1,966	-	-	-	116	116	803	1,163
1999	647	-	-	-	647	-	-	-	-	-	360	287
1998	16	-	-	-	16	-	-	-	-	-	16	-
1997	-	-	-	-	-	-	-	-	56	56	-	-
1996	-	-	-	-	-	-	-	-	1,298	1,298	-	-
1995	-	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ 168,738</u>	<u>\$ 3,789,345</u>	<u>\$ 4,439</u>	<u>\$ (16,641)</u>	<u>\$ 3,945,881</u>	<u>\$ 3,749,231</u>	<u>\$ 30,760</u>	<u>\$ 1,428</u>	<u>\$ 1,470</u>	<u>\$ 3,782,889</u>	<u>\$ 2,338</u>	<u>\$ 194,312</u>

Town of Hampton, Connecticut

Statement of Changes in Fund Balance - By Project
Capital Nonrecurring Fund
Year Ended June 30, 2012

	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	\$ 484	\$ -	\$ -	\$ -	\$ 484	\$ -	\$ -	\$ 484	\$ -	\$ 484
Historic Document Preservation from Fees	4,844	-	-	359	5,203	-	-	5,203	-	5,203
JAG Grant	(2,274)	-	-	-	(2,274)	-	-	(2,274)	2,274	-
	<u>3,054</u>	<u>-</u>	<u>-</u>	<u>359</u>	<u>3,413</u>	<u>-</u>	<u>-</u>	<u>3,413</u>	<u>2,274</u>	<u>5,687</u>
COMMITTED FUND BALANCE:										
Town Garage/ Land \$1,000,000	(140,897)	100,000	-	200,000	159,103	(155,149)	-	3,954	45,448	49,402
School Multipurpose Room \$16,000	16,000	-	-	-	16,000	(12,295)	(3,705)	-	-	-
Building Maintenance	50,026	20,000	-	15,462	85,488	(9,850)	-	75,638	-	75,638
Elementary School - Roof \$530,000	(8,759)	-	-	430,044	421,285	(412,762)	-	8,523	-	8,523
Elementary School - Roof Plan \$12,400	4,560	-	-	-	4,560	-	(4,560)	-	-	-
Revaluation	20,000	10,000	-	-	30,000	-	-	30,000	-	30,000
Fire Truck	6,956	20,000	-	-	26,956	(7,682)	-	19,274	-	19,274
Trucks and Equipment	545	15,000	-	-	15,545	-	-	15,545	-	15,545
	<u>(51,569)</u>	<u>165,000</u>	<u>-</u>	<u>645,506</u>	<u>758,937</u>	<u>(597,738)</u>	<u>(8,265)</u>	<u>152,934</u>	<u>45,448</u>	<u>198,382</u>
ASSIGNED FUND BALANCE										
Open Space	191,275	10,000	-	1,077	202,352	-	-	202,352	-	202,352
Land Acquisition	151,122	10,000	-	-	161,122	(5,100)	-	156,022	-	156,022
Hampton Elementary School	4,414	-	3,327	-	7,741	-	8,265	16,006	-	16,006
Town Clerk Discretionary Fund	1,193	-	-	359	1,552	-	-	1,552	-	1,552
Not allocated to a specific project	16,789	-	-	781	17,570	-	-	17,570	-	17,570
GASB 54 adjustments for over expenditures	-	-	-	-	-	-	-	-	(47,722)	(47,722)
	<u>364,793</u>	<u>20,000</u>	<u>3,327</u>	<u>2,217</u>	<u>390,337</u>	<u>(5,100)</u>	<u>8,265</u>	<u>393,502</u>	<u>(47,722)</u>	<u>345,780</u>
TOTAL FUND BALANCE	<u>\$ 316,278</u>	<u>\$ 185,000</u>	<u>\$ 3,327</u>	<u>\$ 648,082</u>	<u>\$1,152,687</u>	<u>\$ (602,838)</u>	<u>\$ -</u>	<u>\$ 549,849</u>	<u>\$ -</u>	<u>\$ 549,849</u>

Town of Hampton, Connecticut

Internal Control and Compliance Reports
June 30, 2012

**Report On Internal Control over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

**The Board of Finance
Town of 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 (the "Town") as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements and have issued our report thereon dated January 20, 2013. 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

Management of the Town is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town'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 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 certain deficiencies 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item MW-08-1 to be a material weakness.

Government Auditing Standards Report (Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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'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 Finance, others within the Town, 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.

O'Connor Davies, LLP

Wethersfield, Connecticut
January 20, 2013

Town of Hampton, Connecticut

State Single Audit
June 30, 2012

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

Independent Auditors' Report

**The Board of Finance
Town of Hampton, Connecticut**

Compliance

We have audited the Town of Hampton, Connecticut's (the "Town") 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's major state programs for the year ended June 30, 2012. 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's management. Our responsibility is to express an opinion on the Town'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'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's compliance with those requirements.

In our opinion, the Town 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, 2012.

Internal Control over Compliance

Management of the Town 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'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's internal control over compliance.

State Single Audit Report (Continued)

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

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 as of and for the year ended June 30, 2012, and have issued our report thereon dated January 20, 2013, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the Town of Hampton, Connecticut's financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act, and is not a required part of the financial statements. Such information is the responsibility of management 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 schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the Town of Hampton, Connecticut's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the Town of Hampton, Connecticut's compliance but not to provide an opinion on the effectiveness of the Town of Hampton, Connecticut's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Hampton, Connecticut's compliance with

requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

O'Connor Davies, LLP

Wethersfield, Connecticut
January 20, 2013

Town of Hampton, Connecticut

Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2012

State Program Pass-Through Grantor Program Title	State Grant Program Core-CT Number	Expenditures
Connecticut State Library		
Historic Documents Preservation Grants	12060-CSL66094-35150	\$ 3,500
Department of Transportation		
Town Aid Roads	12001-DOT57131-17036	95,337
Office of Policy and Management		
PILOT on State Owned Property	11000-OPM20600-17004	33,148
Property Tax Relief for Veterans	11000-OPM20600-17024	18,907
Local Capital Improvement Program (LOCIP)	12050-OPM20600-40254	29,612
Department of Education		
School Readiness and Child Care - Competitive Grant	11000-SDE64370-12113	107,000
Child Nutrition Program (School Lunch State Match)	11000-SDE64370-16211	587
Health Foods Initiative	11000-SDE64370-16212	1,275
Adult Education	11000-SDE64370-17030	1,689
School Breakfast	11000-SDE64370-17046	3,086
School Readiness Quality Enhancement	11000-SDE64370-17097	<u>3,971</u>
Total State Financial Assistance before Exempt Programs		<u>298,112</u>
EXEMPT PROGRAMS		
Department of Education:		
Education Cost Sharing	11000-SDE64370-17041	1,337,582
Public School Transportation	11000-SDE64370-17027	21,622
Special Education - Excess Cost - Student Based	11000-SDE64370-17047	15,410
Department of Public Works		
School Construction Grants - Principal	13010-DPW27610-40901	224,704
Office of the State Comptroller		
Grants to Towns	12009-OPM20600-17005	<u>15,524</u>
Total exempt programs		<u>1,614,842</u>
Total State Financial Assistance		<u>\$ 1,912,954</u>

See Independent Auditors' Report

Town of Hampton, Connecticut

Notes to the Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2012

1. Summary of Significant Accounting Policies

General

The accompanying schedule of expenditures of state financial assistance includes state grant activity of the Town of Hampton, Connecticut under programs of the State of Connecticut for the fiscal year ended June 30, 2012. 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.

The information in the Schedule of Expenditures of State Financial Assistance is presented based on regulations established by the State of Connecticut, Office of Policy and Management.

Basis of Accounting

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

Town of Hampton, Connecticut

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2012

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: Repeated with the same finding number.

Planned Corrective Action: See the response included in the current year Schedule of Findings and Questioned Costs.

Town of Hampton, Connecticut

Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Section I - Summary of Auditors' Results

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 financial statements noted yes no

State Financial Assistance

Internal control over major programs:

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

Type of report issued on compliance for major programs: 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:

State Grantor and Program	State Core-CT Number	Expenditures
Department of Transportation: Town Aid Road	12001-DOT57131-17036	\$95,337
Department of Education: School Readiness and Child Care	11000-SDE64370-12113	\$107,000
Dollar threshold used to distinguish between type A and type B programs:	<u>\$100,000</u>	

Section 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:

Town of Hampton, Connecticut

Schedule of Findings and Questioned Costs Year Ended June 30, 2012

- *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.

Section III - State Financial Assistance Findings and Questioned Costs

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