

Town of Hampton, Connecticut

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

For the Year Ended June 30, 2010

**Town of Hampton, Connecticut
Financial Statements
For the Year Ended June 30, 2010**

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Independent Auditors' Report

Board of Selectmen
Town of Hampton, Connecticut
Hampton, Connecticut

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Hampton, Connecticut as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Hampton, Connecticut's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Hampton, Connecticut as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America (GAAP).

As described in Note 1, the Town has implemented authoritative accounting pronouncements promulgated by the Governmental Accounting Standards Board (GASB) *Statement 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions*; *Statement 51, Accounting and Financial Reporting for Intangible Assets*; and, *Statement 53, Accounting and Financial Reporting for Derivative Instruments*, as of June 30, 2010.

Independent Auditors' Report (Continued)

In accordance with Government Auditing Standards, we have also issued our report dated November 23, 2010 on our consideration of the Town of Hampton, Connecticut's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hampton, Connecticut's basic financial statements. The combining and individual fund financial statements and supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such combining and individual fund financial statements and supplementary schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Marion + Company

November 23, 2010

**Town of Hampton, Connecticut
Management's Discussion and Analysis
June 30, 2010**

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, 2010. 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 \$66,935 during the year.
- The Town's fund balance decreased by \$243,337.

USING THIS ANNUAL REPORT

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

Reporting the Government as a Whole

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

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

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

**Town of Hampton, Connecticut
Management's Discussion and Analysis
June 30, 2010**

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 \$66,935 from a year ago—*increasing* from \$8,139,211 to \$8,206,146. Last year net assets *increased* by \$504,594. 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 \$445,987. The increase is largely due to the purchase of land, buildings and improvements and vehicles. Long-term debt increased by \$201,335 as a result of the implementation of GASB 45 requiring the reporting of Other Post Employment Benefits and the addition of a capital lease.

**Town of Hampton, Connecticut
Management's Discussion and Analysis
June 30, 2010**

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

	2010	Change During Year		2009
		Dollars	Percent	
Current and other assets	\$ 3,903,390	\$ (75,633)	-1.90%	\$ 3,979,023
Capital assets	4,893,372	482,751	10.95%	4,410,621
Total assets	<u>8,796,762</u>	<u>407,118</u>	<u>4.85%</u>	<u>8,389,644</u>
Long-term debt outstanding	226,253	201,335	807.99%	24,918
Other liabilities	364,363	138,848	61.57%	225,515
Total liabilities	<u>590,616</u>	<u>340,183</u>	<u>135.84%</u>	<u>250,433</u>
Net assets:				
Invested in capital assets, net of related debt	4,856,608	445,987	10.11%	4,410,621
Restricted				
Expendable	1,820,718	38,734	2.17%	1,781,984
Nonexpendable	4,567	9	0.20%	4,558
Unrestricted	<u>1,524,253</u>	<u>(417,795)</u>	<u>-21.51%</u>	<u>1,942,048</u>
Total net assets	<u>\$ 8,206,146</u>	<u>\$ 66,935</u>	<u>0.82%</u>	<u>\$ 8,139,211</u>

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

	2010	Change During Year		2009
		Dollars	Percent	
Revenues				
Program revenues:				
Charges for services	\$ 156,531	\$ (25,452)	-13.99%	\$ 181,983
Operating grants and contributions	1,938,404	(320,921)	-14.20%	2,259,325
Capital grants and contributions	83,324	19,139	29.82%	64,185
General revenues:				
Property taxes	3,851,927	98,592	2.63%	3,753,335
Grants and contributions	15,395	(17,604)	-53.35%	32,999
Interest and investment earnings	7,018	(15,454)	-68.77%	22,472
Gain (loss) on disposal of equipment	17,044	14,125	483.90%	2,919
Other general revenues	25,769	(65)	-0.25%	25,834
Total revenues	<u>6,095,412</u>	<u>(247,640)</u>	<u>-3.90%</u>	<u>6,343,052</u>
Program expenses				
General government	640,552	(9,936)	-1.53%	650,488
Public safety	138,217	(23,881)	-14.73%	162,098
Public works	572,208	158,865	38.43%	413,343
Education	4,677,500	72,604	1.58%	4,604,896
Interest on long-term debt	-	(7,633)	-100.00%	7,633
Total expenses	<u>6,028,477</u>	<u>190,019</u>	<u>3.25%</u>	<u>5,838,458</u>
Increase (decrease) in net assets	<u>\$ 66,935</u>	<u>\$ (437,659)</u>	<u>-86.73%</u>	<u>\$ 504,594</u>

The Town's total revenue decreased 3.9% (\$247,640) this year over last year. Most of this was due to a 14.2% (\$320,921) decrease in operating grants and contributions. In the prior year the Town received additional funding of \$463,000 for the Community Development Block Grant which was not received in the current year.

**Town of Hampton, Connecticut
Management's Discussion and Analysis
June 30, 2010**

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

Total expenses increased by \$190,019 or 3.25%. Increases in public works spending of \$158,865 (38.43%) resulted from road paving costs which did not qualify as capital expenses and were included as public works costs. Increases in enrollment at Parish Hill High School accounted for \$76,832 of the increase in education costs along with increases in educational grant funds costs of \$46,221.

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			Incr. Decr.
	2010	2009			2010	2009		
Governmental Activities								
General government	\$ 640,552	\$ 650,488	-1.53%	\$ 451,233	\$ 83,535	440.17%		
Public safety	138,217	162,098	-14.73%	138,217	162,098	-14.73%		
Public works	572,208	413,343	38.43%	421,190	255,913	64.58%		
Education	4,677,500	4,604,896	1.58%	2,839,578	2,823,783	0.56%		
Interest on debt	-	7,633	-100.00%	-	7,633	-100.00%		
Totals	\$ 6,028,477	\$ 5,838,458	3.25%	\$ 3,850,218	\$ 3,332,962	15.52%		

The total cost and net cost of all governmental activities increased by only 3.25% and 15.52% respectively. Increases in public works costs of 38.43% and net costs of 64.58% are due to road paving costs that did not qualify for capitalization and therefore are included in current year expenses.

The most significant change in net costs from last year is in the general government where net costs increased 440.17%. The increase is due to a reduction in operating grants. The general government received \$463,000 from the Community Development Block Grant during 2008-2009 which was not received in the current year.

**Town of Hampton, Connecticut
Management's Discussion and Analysis
June 30, 2010**

THE TOWN'S FUNDS

The year showed a increase in net assets of \$66,935 in the government-wide statements (Exhibits 1 and 2) on the full accrual basis measuring long-term health. The town showed a decrease in the governmental funds of \$243,337 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 decrease is due to a reduction in operating grants received. The Town received \$463,000 for Community Development Block Grants in the prior year compared to \$77,691 in the current year.

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

General Fund Budgetary Highlights

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

The Town passed a budget including additional appropriations with expenditures \$40,000 higher than the expected revenues. Ultimately, the budget showed revenues higher than expenditures by \$34,337. This was \$74,337 better than expected.

Revenues were \$11,331 higher than budgeted. The towns tax collections were a fraction of a percent less than the amount budgeted. Intergovernmental revenues were \$26,835 higher than budgeted largely due to the \$23,355 increase in the Town Aid Road Grant received. The State reduced the School Transportation Grants by \$15,884 and reallocated \$15,410 of this to the Special Education Excess Costs Grant.

The local revenues were less than budgeted by a combination of small increases and decreases in the amounts received when compared to the amounts budgeted.

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

**Town of Hampton, Connecticut
Management's Discussion and Analysis
June 30, 2010**

**Table 4
General Fund - Budget Summary**

	Final		
	Budget	Actual	Variance
Revenues			
Property Taxes	\$ 3,764,952	\$ 3,764,908	\$ (44)
Intergovernmental	1,546,397	1,573,232	26,835
Local Revenue	134,223	118,763	(15,460)
Total Revenues	<u>5,445,572</u>	<u>5,456,903</u>	<u>11,331</u>
Expenditures			
General Government	1,345,278	1,289,267	56,011
Debt Service	-	-	-
Capital Outlay	150,000	150,000	-
Education	3,990,294	3,983,299	6,995
	<u>5,485,572</u>	<u>5,422,566</u>	<u>63,006</u>
Increase (Decrease) in Fund Balance	<u>\$ (40,000)</u>	<u>\$ 34,337</u>	<u>\$ 74,337</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of this year, the Town had \$541,685 invested in land an increase of \$338,660 over the prior year. The Town had \$7,993,791 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 \$268,154 from last year. This is primarily due to vehicle purchases and disposals. More detailed information about the Town's capital assets is presented in Note 5 to the financial statements.

Debt

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Management is not expecting any increased funding from State grants and is concerned that state funding may be further reduced. The state is having a hard time balancing its own budget due to a decrease in income, sales and other taxes. The Education Cost Sharing Grant, the Town's largest grant at \$1,337,582 is being supplemented by federal stimulus funds and therefore is able to remain stable for 2010-2011. Overall Intergovernmental revenue is expected to increase by only \$42,194 in 2010-2011.

Local revenues for 2010-2011 are budgeted to be \$18,422 less than 2009-2010 primarily due to the reduction in interest income and building permits.

**Town of Hampton, Connecticut
Management's Discussion and Analysis
June 30, 2010**

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 \$42,315. Increases in Administration (\$32,299) and Public Works (\$109,418) were offset by reductions to Education (\$59,155) and Capital and Nonrecurring (\$37,700).

Tax revenue was budgeted to increase only .49% from 2009-2010 to 2010-2011 with the Mill Rate increasing from 24.85 to 25.8 mills for an increase of .95 mills.

Lastly the budget for 2010-2011 is balanced. Revenues cover expenditures. Management does not expect to use any Fund Balance to balance the 2010-2011 budget. This will maintain the equity as a percentage of expenditures at the current level of about 16% and provide a cushion against the bad economy.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

Town of Hampton, Connecticut
Statement of Net Assets
June 30, 2010

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,888,894
Receivables, net of allowance for collection losses	2,012,817
Prepaid expenses	1,232
Inventory	447
Capital assets:	
Nondepreciable	541,685
Depreciable, net of accumulated depreciation	4,351,687
Total assets	8,796,762
LIABILITIES	
Accounts payable	95,898
Accrued wages and benefits	82,198
Deferred revenue	186,267
Noncurrent liabilities:	
Due within one year	35,996
Due in more than one year	190,257
Total liabilities	590,616
NET ASSETS	
Invested in capital assets, net of related debt	4,856,608
Restricted net assets:	
Expendable	1,820,718
Nonexpendable	4,567
Unrestricted net assets	1,524,253
Total net assets	\$ 8,206,146

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

**Town of Hampton, Connecticut
Statement of Activities
For the Year Ended June 30, 2010**

	Program Specific Revenues			Net (Expense) Revenue	
	Charges for Services	Grants and Contributions Operating	Capital	Government Activities	Total
Functions/Programs					
Governmental activities:					
General government	\$ (640,552)	\$ 78,907	\$ 52,299	\$ (451,233)	
Public Safety	(138,217)	-	-	(138,217)	
Public Works	(572,208)	95,019	31,025	(421,190)	
Education	(4,677,500)	1,764,478	-	(2,839,578)	
Total primary government	\$ (6,028,477)	\$ 1,938,404	\$ 83,324	(3,850,218)	
General revenues:					
Property taxes, payments in lieu of taxes, interest and liens				3,851,927	
Grants and contributions				15,395	
Interest and investment earnings				7,018	
Gain (loss) on disposal of equipment				17,044	
Miscellaneous				25,769	
Total general revenues				<u>3,917,153</u>	
Changes in net assets				66,935	
Net assets, beginning of the year				<u>8,139,211</u>	
Net assets, end of the year				<u>\$ 8,206,146</u>	

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

**Town of Hampton, Connecticut
Balance Sheet
Governmental Funds
June 30, 2010**

	General Fund	Community Development Block Grant Fund	Capital Non- Recurring Fund	Child Nutrition Program	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 944,710	\$ 206,559	\$ 570,007	\$ 62,442	\$ 105,176	\$ 1,888,894
Receivables	207,409	1,796,068	-	4,737	4,603	2,012,817
Inventory	-	-	-	447	-	447
Due from other governmental funds	103,859	-	3,623	-	-	107,482
Due from related party	-	-	-	-	-	-
Prepaid expenditures	1,232	-	-	-	-	1,232
Total assets	\$1,257,210	\$ 2,002,627	\$ 573,630	\$ 67,626	\$ 109,779	\$ 4,010,872
Liabilities and fund balance						
Liabilities						
Accounts payable	\$ 47,552	\$ 2,100	\$ 31,574	\$ -	\$ 14,672	\$ 95,898
Accrued expenses	82,198	-	-	-	-	82,198
Deferred revenue	178,090	179,809	-	-	6,458	364,357
Due to other governmental funds	1,900	-	-	71,978	33,604	107,482
Total liabilities	309,740	181,909	31,574	71,978	54,734	649,935
Fund balance						
Reserved	22,371	1,796,068	-	447	11,549	1,830,435
Unreserved, reported in:						
General Fund	925,099	-	-	-	-	925,099
Special Revenue Funds:						
Designated	-	-	524,366	-	-	524,366
Undesignated	-	24,650	17,690	(4,799)	43,302	80,843
Permanent Funds	-	-	-	-	194	194
Total fund balance	947,470	1,820,718	542,056	(4,352)	55,045	3,360,937
Total liabilities and fund balance	\$1,257,210	\$ 2,002,627	\$ 573,630	\$ 67,626	\$ 109,779	

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

Less: Long-term liabilities not due and payable in current period:	
Bonds, notes, capital leases payable and unamortized premiums on bond costs:	(36,764)
Compensated absences, special termination benefits and other post employment benefits:	(189,489)
Plus:	
Net capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	4,893,372
Other long-term assets not available to pay for current period expenditures, recorded as deferred revenue in the funds	178,090

Net assets reported on the Government-Wide Financial Statements (Exhibit 1)**\$ 8,206,146**

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

Town of Hampton, Connecticut
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	General Fund	Community Development Block Grant Fund	Capital Non- Recurring Fund	Child Nutrition Program	Other Governmental Funds	Total Governmental Funds
Revenues						
Property taxes, interest and lien fees	\$3,764,908	\$ -	\$ -	\$ -	\$ -	\$ 3,764,908
Intergovernmental revenues	1,738,203	77,691	52,299	19,738	203,052	2,090,983
Local revenues	118,763	42	8,456	28,058	55,346	210,665
	<u>5,621,874</u>	<u>77,733</u>	<u>60,755</u>	<u>47,796</u>	<u>258,398</u>	<u>6,066,556</u>
Expenditures						
Current expenditures:						
General government	595,285	47,999	-	-	16,202	659,486
Public Safety	149,713	-	-	-	-	149,713
Public Works	547,292	-	-	-	-	547,292
Education	4,124,942	-	-	65,942	220,166	4,411,050
Capital outlay	-	-	542,352	-	-	542,352
	<u>5,417,232</u>	<u>47,999</u>	<u>542,352</u>	<u>65,942</u>	<u>236,368</u>	<u>6,309,893</u>
Excess (deficiency) of revenues over expenditures	<u>204,642</u>	<u>29,734</u>	<u>(481,597)</u>	<u>(18,146)</u>	<u>22,030</u>	<u>(243,337)</u>
Other financing sources (uses)						
Operating transfers in	-	-	153,623	20,257	10	173,890
Operating transfers out	(172,157)	-	-	-	(1,733)	(173,890)
	<u>(172,157)</u>	<u>-</u>	<u>153,623</u>	<u>20,257</u>	<u>(1,723)</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>32,485</u>	<u>29,734</u>	<u>(327,974)</u>	<u>2,111</u>	<u>20,307</u>	<u>(243,337)</u>
Fund balance, beginning of the year	<u>914,985</u>	<u>1,790,984</u>	<u>870,030</u>	<u>(6,463)</u>	<u>34,738</u>	<u>3,604,274</u>
Fund balance, end of the year	<u>\$ 947,470</u>	<u>\$ 1,820,718</u>	<u>\$ 542,056</u>	<u>\$ (4,352)</u>	<u>\$ 55,045</u>	<u>\$ 3,360,937</u>
Reconciliation of the statement of revenues, expenditures and changes in fund balances (above) to the statement of activities (Exhibit 2)						
Net change in fund balances - total governmental funds (above)						\$ (243,337)
Transactions involving the treatment of capital outlays:						
Plus: Capital outlays treated as expenditures here, but capitalized on Exhibit 2						731,759
Less: Depreciation expense recorded in Exhibit 2, but not considered in the fund statements						(249,008)
Transactions involving the treatment of long-term debt:						
Plus: Principal repayments:						
Capital lease financing						(36,764)
Changes in other items not requiring the use of current financial resources:						
Compensated absences						(2,064)
Other post employment benefits						(162,507)
Revenue in the Statement of Activities (Exhibit 2) that is deferred in this statement:						
Taxes, interest and lien fees						24,689
Other						4,167
Changes in net assets of governmental activities (Exhibit 2)						<u>\$ 66,935</u>

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

**Town of Hampton, Connecticut
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010**

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 20,986
Liabilities	
Due to students	<u>20,986</u>
Net assets	<u><u>\$ -</u></u>

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

Town of Hampton, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

Note 1 - Summary of Significant Accounting Policies

A. Reporting entity

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

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

B. Government-wide and fund financial statements

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

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

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

Town of Hampton, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

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

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

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

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

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

The Town reports the following major governmental funds:

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

Additionally, the Town reports the following fiduciary fund types:

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

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

Town of Hampton, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

D. Assets, liabilities, and net assets

1) Deposits and investments

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

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

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

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

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

2) Receivables

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

Town of Hampton, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

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

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

3) Activity between funds

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

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

4) Inventories and prepaid items

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

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

5) Capital assets

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

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

**Town of Hampton, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010**

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

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

6) *Compensated absences*

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

7) *Long-term obligations*

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

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

8) *Fund equity*

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

Town of Hampton, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

E. Subsequent events

On September 16, 2010, the Town entered into a "construction to permanent" loan agreement with the Savings Institute Bank and Trust Company to construct a public works garage for the Town of Hampton during the construction loan period commencing on September 16, 2011. The term of the loan requires the Town to fund the project with \$100,000 from the general fund, \$250,000 from an approved Small Town Economic Assistance Program (STEAP) Grant and no less than \$363,000 but up to \$650,000 from the Bank. The Town is required to contribute the first \$110,000 to the project, and a percentage of costs thereafter will be covered with advances from the Bank. Interest shall accrue on the advance and unpaid principal at the fixed rate of 3.25% per annum. Principal plus interest shall be due and payable in 10 semi-annual installments commencing on September 16, 2011 and continuing semi-annually in March and September, thereafter, with all funds due by March 16, 2016.

Subsequent events have been evaluated through the date of this report, November 23, 2010.

F. Changes in Financial Statements

The Town implemented Governmental Accounting Standards Board (GASB) Statement 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions*, as of June 30, 2010. This statement requires actuarial calculations for other post employment benefits (OPEB) such as health insurance.

The Town implemented Governmental Accounting Standards Board (GASB) Statement 51, *Accounting and Financial Reporting for Intangible Assets*, as of June 30, 2010. This statement establishes accounting and financial reporting requirements for intangible assets (including easements, water rights, timber rights, patents, trademarks, and computer software) to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments.

The Town implemented Governmental Accounting Standards Board (GASB) Statement 53, *Accounting and Financial Reporting for Derivative Instruments*, of June 30, 2010. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments, if applicable.

The Town made a prior period adjustment to the depreciation on capital assets and to the long-term receivable balance. This increased the beginning accumulated depreciation and increased Net Assets by \$725 and increased the beginning receivable balance and increased Net Assets by \$9,000.

Town of Hampton, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

Note 2 - Budgeting

A. Budget basis

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

- **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. On the statements prepared under Generally Accepted Accounting Principles, encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities.
- **Long-term debt and lease financing** - Revenues and expenditures from refunding or renewing long-term debt or issuing lease financing are included in the budget as the net revenues or expenditures expected.
- **Cash basis payroll** - Payroll is budgeted based on when it is expected to be paid. On the statements prepared under Generally Accepted Accounting Principles, payroll is charged to the fiscal year in which it is earned.

B. Budget calendar

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

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

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

**Town of Hampton, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010**

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 Selectmen may make a one time additional appropriation up to \$20,000 to any appropriations. A Town meeting must be called to make appropriations over \$20,000 or additional changes to a previously adjusted appropriation. During the year \$40,000 of additional appropriations were made.

Note 3 – Deposits and Investments

A. Cash and cash equivalents

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

Governmental Funds	\$ 1,888,894
Agency Funds	<u>20,986</u>
Total Cash and Cash Equivalents	<u><u>\$ 1,909,880</u></u>

B. Custodial credit risk on deposits

As of June 30, 2010, the carrying amount of the Town's deposits with financial institutions was:

Deposits	\$ 496,989
Plus: External Investment Pools treated as cash and cash equivalents	<u>1,412,891</u>
Total Cash and Cash Equivalents	<u><u>\$ 1,909,880</u></u>

The bank balance of the deposits was \$551,621 and exposed to custodial credit risk as follows:

Covered by Federal Depository Insurance	\$ 551,621
Total Deposits	<u><u>\$ 551,621</u></u>

Town of Hampton, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

C. External investment pools treated as cash and cash equivalents

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

Note 4 - Receivables

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

	General Fund	Community Development Block Grant	Child Nutrition Program	Other Governmental Funds
Taxes, interest and lien fees	\$ 202,484	\$ -	\$ -	\$ -
Intergovernmental *	-	-	4,737	4,393
Notes receivable *	-	1,796,068	-	-
Other	17,336	-	-	210
Gross receivables	219,820	1,796,068	4,737	4,603
Less: allowance for uncollectibles	(12,411)	-	-	-
Net total receivables	<u>\$ 207,409</u>	<u>\$ 1,796,068</u>	<u>\$ 4,737</u>	<u>\$ 4,603</u>

*a portion of these are considered long-term

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

Town of Hampton, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

	Unavailable	Unearned
Delinquent net property taxes, interest and liens receivable	\$ 173,923	\$ -
Long-term housing rehabilitation drawdowns	-	179,809
Other receivables not received in 60 days	4,167	-
Grant drawdowns prior to meeting all eligibility requirements	-	6,458
Total deferred/unearned revenue for governmental funds	<u>\$ 178,090</u>	<u>\$ 186,267</u>

Note 5 - Capital Assets

Capital asset activity for the year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 203,025	\$ 338,660	\$ -	\$ 541,685
Capital assets being depreciated:				
Buildings and improvements	5,482,084	100,638	-	5,582,722
Heavy equipment	113,659	-	-	113,659
Vehicles	1,052,131	231,414	(124,945)	1,158,600
Other equipment	246,880	21,318	-	268,198
Infrastructure	830,883	39,729	-	870,612
	<u>7,725,637</u>	<u>393,099</u>	<u>(124,945)</u>	<u>7,993,791</u>
Less: Accumulated depreciation:	<u>(3,518,041)</u>	<u>(249,008)</u>	<u>124,945</u>	<u>(3,642,104)</u>
Capital assets, net	<u>\$ 4,410,621</u>	<u>\$ 482,751</u>	<u>\$ -</u>	<u>\$ 4,893,372</u>

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

Governmental activities:	
General government	\$ 18,706
Public Safety	37,807
Public Works	60,956
Education	131,539
Total depreciation expense - governmental activities	<u>\$ 249,008</u>

Note 6 - Interfund Activities

A. Advance to/from other funds

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

Town of Hampton, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

B. Due to/from other funds

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

Receivable Fund	Payable Fund	Amount
Special Revenue - Capital Nonrecurring	Special Revenue - Latchkey / Preschool	\$ 1,723
Special Revenue - Capital Nonrecurring	General Fund	1,900
General Fund	Special Revenue - Latchkey / Preschool	1,522
General Fund	Special Revenue - Special Ed Grants	15,238
General Fund	Special Revenue - Child Nutrition Fund	71,978
General Fund	Special Revenue - School Readiness	15,121
		<u>\$ 107,482</u>

C. Interfund transfers

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

	Transfers in to:			Total
	Capital Nonrecurring Fund	Child Nutrition Program	Other Governmental Funds	
Transfers out of:				
General Fund	\$ 151,900	\$ 20,257	\$ -	\$ 172,157
Other Governmental Funds	1,723	-	10	1,733
Total transfers out	<u>\$ 153,623</u>	<u>\$ 20,257</u>	<u>\$ 10</u>	<u>\$ 173,890</u>

Note 7 – Long-Term Debt

A. Changes in long-term liabilities

Long-term liability activity for the year June 30, 2010, was as follows:

	Opening Balance	Additions	Reductions	Ending Balance	Due Within One Year
Other Post Employment Benefits	\$ -	\$ 162,507	\$ -	\$ 162,507	\$ -
Capital Lease	-	58,414	(21,650)	36,764	29,194
Compensated Absences	24,918	2,064	-	26,982	6,802
	<u>\$ 24,918</u>	<u>\$ 222,985</u>	<u>\$ (21,650)</u>	<u>\$ 226,253</u>	<u>\$ 35,996</u>

**Town of Hampton, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010**

B. Debt limitations under Connecticut State Statutes

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

Total tax collections (including interest and lien fees) for the year	\$ 3,745,000
Reimbursements for revenue loss on tax relief for the elderly (C.G.S. 12-129d)	17,385
Debt limitation base	<u>\$ 3,762,385</u>

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation:					
2 1/4 times base	\$ 8,465,366	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	16,930,733	-	-	-
3 3/4 times base	-	-	14,108,944	-	-
3 1/4 times base	-	-	-	12,227,751	-
3 times base	-	-	-	-	11,287,155
Total debt limitation	<u>8,465,366</u>	<u>16,930,733</u>	<u>14,108,944</u>	<u>12,227,751</u>	<u>11,287,155</u>
Total indebtedness	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Debt limitation in excess of debt outstanding and authorized	<u>\$ 8,465,366</u>	<u>\$ 16,930,733</u>	<u>\$ 14,108,944</u>	<u>\$ 12,227,751</u>	<u>\$ 11,287,155</u>
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In no case shall total indebtedness exceed seven times annual receipts from taxation	<u>\$ 26,336,695</u>
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C. Capital Lease

The Town has entered into a lease agreement to finance the acquisition of a 2010 Ford F350. The cost of the 2010 Ford F350 is included in the fixed assets with a cost of \$58,414 and accumulated depreciation of \$3,407. This lease qualifies as a capital lease for accounting purposes. The following is a schedule of the future minimum lease payments and the present value of the net minimum lease payments under this lease:

<u>Year Ending June 30</u>	
2011	\$ 30,726
2012	<u>7,681</u>
Total Minimum Lease Payments	38,407
Less: Amount Representing Interest	<u>(1,643)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 36,764</u>

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

**Town of Hampton, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010**

D. Compensated absences

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.

Note 8 – Equity

A. Reserved fund balances

Fund Balances are reported in the Fund Financial Statements. Reserved Fund Balances represent those portions of the fund equity not available for appropriation for expenditures or legally segregated for a specific future use. At June 30, 2010 this consisted of:

	General Fund	Community Development Block Grant	Child Nutrition Program	Other Governmental Funds
Long-term notes receivable	\$ -	\$ 1,796,068	\$ -	\$ -
Encumbrances	22,371	-	-	-
Trust fund principal	-	-	-	11,549
Inventory	-	-	447	-
	<u>\$ 22,371</u>	<u>\$ 1,796,068</u>	<u>\$ 447</u>	<u>\$ 11,549</u>

B. Designated fund balances

Designated Fund Balances represent those portions of fund balance in the fund financial statements for which the Town has tentative plans for future uses of these financial resources. The Capital Nonrecurring Fund has \$524,366 designated for various capital projects.

C. Deficit fund balances

At June 30, 2010 the following Special Revenue Fund, Child Nutrition Program had a deficit fund balance of \$4,352.

D. Restricted net assets

Restricted Net Assets are reported when constraints placed on net assets are either (1) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation of the Town.

**Town of Hampton, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010**

	Nonexpendable	Expendable
Small Cities Block Grant Funding	\$ -	\$ 1,820,718
Trust Fund principal	4,567	-
	\$ 4,567	\$ 1,820,718

Note 9 - Employee Retirement Systems and Pension Plans

A. Teachers' retirement system

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

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

The funding of the system is provided by required member contributions (7 percent of their annual salary) and by amounts appropriated by the State of Connecticut General Assembly. For the year ended June 30, 2010, the State contributed \$164,971 into the pension plan on behalf of the Town of Hampton, Connecticut. This was recorded on the GAAP statements as revenue and expenditures in the General Fund. The Town's total payroll for all employees for the fiscal year ending June 30, 2010 was \$1,817,270 of which \$1,065,009 was covered under this pension plan.

B. Savings incentive match plan (SIMPLE)

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

**Town of Hampton, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010**

A contribution equal to 3.0% of the wages for each eligible employee, totaling \$3,632 in the aggregate was deposited into their accounts. The total wages for all Town employees was \$1,817,270 and the total wages for covered employees was \$121,067. The administrator of the plan is T. Rowe Price Trust Company.

Note 10 – Other Post Employment Benefit (OPEB)

A. Plan Description

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

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

B. Actuarial Assumptions and Methods

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

Latest Actuarial Date	June 30, 2010
Actuarial Cost Method	Entry Age
Discount Rate	4.00%
Payroll Growth Rate	3.00%
Medical Inflation	Initial rate of 9% grading down to an ultimate inflation rate of 3% in 2020 and later.
Amortization Method	Level percentage of payroll
Remaining amortization	30 years, closed
Mortality	RP2000 Mortality Table for Males and Females projected 10 years
Turnover	Standard turnover assumptions – GASB 45 paragraph 35b
Retirement	Average retirement age of 60
Future Retiree Coverage	75% are assumed to elect coverage at retirement

Town of Hampton, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

C. Schedule of Funding Progress

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

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

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

D. Schedule of Employer Contributions

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

Year Ended June 30	Annual Required Contributions	Actual Contributions Made	Percentage Contributed
2010	\$ 162,507	\$ -	0.00%

E. Annual Required Contribution (ARC)

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

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

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

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

The annual calculation of Annual OPEB cost (AOC) and Net OPEB Obligation (NOO) is as follows. (Data in the table below is only presented since the year of transition):

Past Service Cost	\$ 92,791
Normal Cost	69,716
Annual Required Contribution (ARC)	<u>162,507</u>
Increase in Net OPEB Obligation	<u>\$ 162,507</u>

**Town of Hampton, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010**

F. Annual OPEB Cost and Net OPEB Obligation

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

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

The Net OPEB Obligation history is as follows. (Data in the table below is only presented since the year of transition):

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution Made	Percentage of APC Contributed	Net OPEB Obligation (Asset)
6/30/2010	\$ 162,507	\$ -	0.0%	\$ 162,507

G. Other Disclosures

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

NOTE 11 – Related Parties

A. Regional School District #11-Central Office Committee

Regional School District #11-Central Office Committee (Central Office Committee) was established as a joint venture by a compact to provide supervisory services between the Boards of Education of Chaplin, Hampton, Scotland, and Regional School District #11-Parish Hill High School. Balances due to or from the Central Office Committee are referred to as due to or due from a related party.

Town of Hampton, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

Although the Town had no responsibility for funding deficits and had no privileges to surpluses, the compact ended as of June 30, 2007. At year end 2010 an agreement had been worked out with the other parties involved in the compact allowing the Central Office Committee to pay the full balances in dispute as of June 30, 2010.

As of June 30, 2010 there were no amounts owed to or from the Central Office Committee.

B. Hampton/Scotland transfer station

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

Note 12 - Risk Management

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

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

Note 13 - Contingent Liabilities

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

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

Town of Hampton, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

Note 14 – 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 #54 – *Fund Balance Reporting and Governmental Fund Type Definitions* – This statement provides clearer fund balance classifications that can be more consistently applied. This is effective for the year ending June 30, 2011.
- GASB #59 – *Financial Instruments Omnibus* – This statement updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. This is effective for the year ending June 30, 2011.

Town of Hampton, Connecticut
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
General Fund
For the Year Ended June 30, 2010

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual Budgetary Basis	Variance
REVENUES:					
Property Tax Revenues					
Property Taxes	\$ 3,764,952	\$ -	\$ 3,764,952	\$ 3,764,908	\$ (44)
	3,764,952	-	3,764,952	3,764,908	(44)
State of Connecticut Revenues					
Education Cost Sharing (ECS)	1,337,582	(190,826)	1,146,756	1,146,756	-
ARRA Grant - State of CT	-	190,826	190,826	190,826	-
Town Aid Road	71,664	-	71,664	95,019	23,355
School Transportation	39,090	-	39,090	23,206	(15,884)
Pilot for State Hospital and Property	35,270	-	35,270	35,330	60
Local Capital Improvement	30,896	-	30,896	31,025	129
PILOT- Elderly, Veterans	17,000	-	17,000	19,049	2,049
Mashantucket Pequot Grant	14,895	-	14,895	15,395	500
Other State Grants	-	-	-	1,216	1,216
Special Education Excess Cost	-	-	-	15,410	15,410
	1,546,397	-	1,546,397	1,573,232	26,835
Local Revenues					
School Bus Fuel	31,573	-	31,573	16,713	(14,860)
Interest Income	19,000	-	19,000	6,862	(12,138)
Building Permits	18,000	-	18,000	7,528	(10,472)
Telecommunication Property Tax	10,800	-	10,800	7,951	(2,849)
Transfer Station Permits	10,000	-	10,000	11,024	1,024
Conveyance Tax	9,000	-	9,000	11,645	2,645
Recording Fees	9,000	-	9,000	7,485	(1,515)
Scotland's Share - Transfer Station	7,000	-	7,000	4,466	(2,534)
Sale of Recyclables	5,000	-	5,000	17,044	12,044
Miscellaneous	4,000	-	4,000	10,326	6,326
Landfill Disposal Fees	3,000	-	3,000	5,317	2,317
Ambulance Corp. Fuel	3,000	-	3,000	1,516	(1,484)
Inland Wetland Permits	2,000	-	2,000	1,525	(475)
Photocopies	1,000	-	1,000	2,034	1,034
Miscellaneous Permits	1,000	-	1,000	1,972	972
Community Center Revenue	500	-	500	1,090	590
Licensing	250	-	250	190	(60)
Planning and Zoning Books	100	-	100	1,075	975
Dog Fund Fees	-	-	-	3,000	3,000
	134,223	-	134,223	118,763	(15,460)
TOTAL REVENUES	5,445,572	-	5,445,572	5,456,903	11,331

EXPENDITURES:

Administration:

Board of Selectmen:

First Selectman Salary	24,355	-	24,355	24,355	-
Second Selectman Salary	3,620	-	3,620	3,620	-
Third Selectman Salary	3,620	-	3,620	3,620	-
Administrative Assistant Salary	14,350	2,233	16,583	16,583	-
Selectmen Mileage	750	(203)	547	547	-
Selectmen Supplies and Training	700	(207)	493	493	-
Selectmen Computer Support	8,300	5,434	13,734	13,734	-

(Continued)

Town of Hampton, Connecticut
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
General Fund
For the Year Ended June 30, 2010

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual Budgetary Basis	Variance
Tax Collector:					
Tax Collector Salary	25,084	-	25,084	25,084	-
Tax Collector Assistant Salary	8,000	(2,023)	5,977	5,976	1
Tax Collector Equipment and Supplies	1,000	-	1,000	586	414
Tax Collector Mileage	1,600	-	1,600	1,521	79
Tax Collector Refund Overpaid Tax	10,000	(4,000)	6,000	5,955	45
Tax Collector Computer Support	5,495	(96)	5,399	5,325	74
Tax Collector Professional Expense	955	-	955	642	313
Tax Collector Postage-Legal Notices	3,900	(1,904)	1,996	1,996	-
Tax Collection Expenses	1,841	14,000	15,841	15,518	323
Tax Collection Misc. Expense	100	-	100	-	100
Board of Assessment Appeals	500	-	500	271	229
Town Clerk:					
Town Clerk Salary	22,871	-	22,871	22,871	-
Town Clerk Land Records	9,500	(70)	9,430	9,387	43
Town Clerk Assistant Salary	1,000	32	1,032	1,032	-
Town Clerk Repairs and Rebinding	1,000	(984)	16	-	16
Town Clerk Mailing Costs	400	100	500	496	4
Town Clerk Mileage	450	(32)	418	405	13
Town Clerk Professional Expense	150	(26)	124	107	17
Town Clerk Conference / Education	800	(429)	371	371	-
Town Clerk Vital Statistics	50	(50)	-	-	-
Town Clerk Legal Notices	4,500	2,226	6,726	6,726	-
Town Clerk General Supplies / Postage	5,000	(1,821)	3,179	3,179	-
Town Counsel	9,000	1,020	10,020	10,020	-
Treasurer:					
Treasurer Salary	15,103	-	15,103	15,103	-
Treasurer Computer Supplies	650	(36)	614	614	-
Treasurer Mileage	700	36	736	736	-
Treasurer Computer Support	2,500	1,976	4,476	4,469	7
Treasurer Professional Expense	65	354	419	419	-
Treasurer Postage	450	-	450	446	4
Treasurer Payroll Service Fees	350	24	374	374	-
Assessor:					
Assessor Salary	22,701	-	22,701	22,701	-
Assessor Mileage	300	(100)	200	57	143
Assessor Education	300	(100)	200	58	142
Assessor Professional Expense	800	(50)	750	591	159
Assessor Computer Support	7,025	350	7,375	7,338	37
Assessor Mapping	1,750	-	1,750	1,375	375
Assessor Office Supplies/Postage	500	(100)	400	287	113
Assessor Webhosting	2,200	-	2,200	2,200	-
Town Hall:					
Town Hall Photocopier	3,000	-	3,000	2,315	685
Town Hall Water	1,100	-	1,100	1,048	52
Town Hall Maintenance	14,000	-	14,000	13,393	607

(Continued)

Town of Hampton, Connecticut
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
General Fund
For the Year Ended June 30, 2010

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual Budgetary Basis	Variance
Election:					
Election Registrars	13,150	(1,183)	11,967	10,190	1,777
Election Other Salaries	8,840	1,471	10,311	10,311	-
Election Training	1,200	-	1,200	920	280
Election Postage/ Supplies	750	572	1,322	1,322	-
Election Memory Cards and Ballots	4,500	(550)	3,950	1,035	2,915
Election HAVA Expenses	704	200	904	904	-
Planning and Zoning:					
Planning and Zoning	24,000	-	24,000	16,696	7,304
Planning and Zoning Legal Notice	2,000	-	2,000	687	1,313
Planning and Zoning Mileage	150	-	150	142	8
Planning and Zoning Filing Fees	200	32	232	232	-
Planning and Zoning Training	500	-	500	30	470
Planning and Zoning Supplies	700	-	700	14	686
Conservation	600	(32)	568	368	200
Inland Wetlands:					
Inland Wetlands	5,490	-	5,490	1,782	3,708
Inland Wetlands Legal Notice	300	-	300	300	-
Inland Wetlands Mileage	707	(54)	653	75	578
Inland Wetlands Filing Fees	100	74	174	174	-
Inland Wetlands Supplies	620	-	620	100	520
Inland Wetlands Training	330	-	330	-	330
Auditor	32,235	3,500	35,735	32,010	3,725
Utilities and Oil:					
Transfer Station Electric	1,500	-	1,500	957	543
Transfer Station Telephone	420	-	420	398	22
Town Hall Electric	23,000	(3,500)	19,500	14,912	4,588
Town Hall Oil	600	2,801	3,401	3,345	56
Town Hall Cable	1,350	-	1,350	1,319	31
Town Hall Telephone	8,000	(2,646)	5,354	3,307	2,047
Town Garage Electric	4,000	-	4,000	2,801	1,199
Town Garage Oil	4,500	-	4,500	3,416	1,084
Town Garage Telephone	600	-	600	569	31
Community Center Electric	2,500	-	2,500	1,575	925
Community Center Oil	3,000	-	3,000	1,822	1,178
Community Center Water	150	160	310	310	-
Community Center Cleaning	750	750	1,500	1,500	-
Community Center Alarm	300	-	300	300	-
Street Light	300	-	300	276	24
Fire Department Oil	4,000	(125)	3,875	3,238	637
Employee Simple IRA	3,300	350	3,650	3,632	18
Health Insurance	100,700	7,980	108,680	105,576	3,104
Reconciliation Discrepancies	-	-	-	-	-
	498,431	25,354	523,785	480,489	43,296

(Continued)

Town of Hampton, Connecticut
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
General Fund
For the Year Ended June 30, 2010

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual Budgetary Basis	Variance
Public Safety:					
Fire Marshal-Emergency Coordinator	12,300	-	12,300	11,571	729
Fire Department	52,456	-	52,456	52,456	-
Ambulance	12,000	-	12,000	12,000	-
911 Dues	5,018	-	5,018	5,018	-
Paramedic	2,118	70	2,188	2,188	-
Building Inspector:	16,891	-	16,891	16,891	-
Building Inspector Mileage	1,200	-	1,200	1,020	180
Building Inspector Supplies	690	-	690	473	217
Building Inspector Training	300	(70)	230	125	105
Building Inspector Clerk	1,500	(10)	1,490	724	766
Building Inspector Counter	1,500	-	1,500	995	505
Fire Dept. Volunteer Incentive	18,000	-	18,000	17,656	344
Burning Permits	200	10	210	210	-
	<u>124,173</u>	<u>-</u>	<u>124,173</u>	<u>121,327</u>	<u>2,846</u>
Public Works:					
Road Paving	100,000	(19,143)	80,857	80,857	-
Road Maintenance	69,000	44,755	113,755	113,755	-
Road Maintenance Payroll	148,800	11,956	160,756	160,756	-
LOCIP Expense	30,895	-	30,895	30,895	-
Gasoline	8,000	-	8,000	7,469	531
Diesel	45,000	(16,921)	28,079	28,079	-
Safety	2,000	-	2,000	1,949	51
Salt Storage	6,000	-	6,000	6,000	-
Small Tools	4,500	(1,497)	3,003	2,134	869
Signs	500	400	900	900	-
	<u>414,695</u>	<u>19,550</u>	<u>434,245</u>	<u>432,794</u>	<u>1,451</u>
Sanitation	<u>120,000</u>	<u>(700)</u>	<u>119,300</u>	<u>114,498</u>	<u>4,802</u>
Health and Welfare					
Public Health Services	1,000	-	1,000	1,000	-
Northeast District Department of Health	8,282	-	8,282	8,281	1
TVCCA	421	-	421	421	-
United Services	1,231	-	1,231	1,231	-
Access Agency	500	-	500	-	500
Volunteer Transportation	500	(122)	378	-	378
Senior Citizens	1,500	-	1,500	1,500	-
WeCONNECT-Assault Crisis	500	-	500	500	-
NECASA	264	-	264	264	-
No Freeze Shelter	200	-	200	200	-
	<u>14,398</u>	<u>(122)</u>	<u>14,276</u>	<u>13,397</u>	<u>879</u>
Recreation Commission	<u>3,000</u>	<u>-</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Education					
Parish Hill High School	1,804,201	(5,050)	1,799,151	1,792,156	6,995
Hampton Elementary	2,191,143	-	2,191,143	2,191,143	-
	<u>3,995,344</u>	<u>(5,050)</u>	<u>3,990,294</u>	<u>3,983,299</u>	<u>6,995</u>

(Continued)

Town of Hampton, Connecticut
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
General Fund
For the Year Ended June 30, 2010

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual Budgetary Basis	Variance
Library	26,000	-	26,000	24,513	1,487
Social Security Town Share	28,000	-	28,000	27,851	149
Insurance and Bonds	36,500	850	37,350	37,323	27
Contingency	15,000	(292)	14,708	12,708	2,000
Miscellaneous					
American Legion / Parade	450	-	450	390	60
Organization Dues	1,768	-	1,768	1,768	-
Dial-a-ride	4,958	-	4,958	4,958	-
Walking Weekend	250	-	250	250	-
Probate Court	290	410	700	685	15
Hampton Gazette Distribution	2,000	-	2,000	2,000	-
Eastern CT Conservation District	300	-	300	300	-
WINCOG	1,515	-	1,515	1,515	-
	11,531	410	11,941	11,866	75
Capital and Non-Recurring	150,000	-	150,000	150,000	-
Dog Fund	8,500	-	8,500	9,501	(1,001) *
TOTAL EXPENDITURES	5,445,572	40,000	5,485,572	5,422,566	63,006
Excess (Deficiency) of Revenues Over Expenditures, Budgetary Basis	\$ -	\$ (40,000)	\$ (40,000)	34,337	\$ 74,337
Adjustments to Generally Accepted Accounting Principles (GAAP):					
On Behalf Revenues from Teacher's Retirement Netted in Budget				164,971	
On Behalf Expenditures from Teacher's Retirement Netted in Budget				(164,971)	
Change in accrued payroll				(3,023)	
Current year encumbrances				22,371	
Liquidations of prior year encumbrances				(21,200)	
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing (Uses) - GAAP Basis				\$ 32,485	

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.

* Indicates the budgeted amount was overexpended

Town of Hampton, Connecticut Fund Descriptions

Special Revenue Funds:

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

Capital Project Funds:

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

Permanent Funds:

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

Town of Hampton, Connecticut
 Combining Balance Sheet
 Other Governmental Funds
 June 30, 2010

	Special Revenue Funds					Permanent Funds				Total Other Governmental Funds
	School Readiness Preschool	Educational Grants Fund	Preschool/ Latchkey Fund	Recreation Fund	Various Cemetery Funds	Gates Library Fund	Durkee Library Fund	Grange Restoration Fund		
Assets										
Cash and cash equivalents	\$ 46,334	\$ 31,905	\$ 3,035	\$ 12,159	\$ 1,351	\$ 470	\$ 2,821	\$ 7,101	\$	\$ 105,176
Receivables	-	4,393	210	-	-	-	-	-	-	4,603
Total Assets	\$ 46,334	\$ 36,298	\$ 3,245	\$ 12,159	\$ 1,351	\$ 470	\$ 2,821	\$ 7,101	\$	\$ 109,779
Liabilities and Fund Balance										
Liabilities										
Accounts payable	\$ 2,217	\$ 12,455	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,672
Deferred revenue	-	6,458	-	-	-	-	-	-	-	6,458
Due to other governmental funds	15,121	15,238	3,245	-	-	-	-	-	-	33,604
Total Liabilities	17,338	34,151	3,245	-	-	-	-	-	-	54,734
Fund Balance										
Reserved	-	-	-	-	1,299	465	2,798	6,987		11,549
Unreserved, undesignated	28,996	2,147	-	12,159	52	5	23	114		43,496
Total Fund Balance	28,996	2,147	-	12,159	1,351	470	2,821	7,101		55,045
Total Liabilities and Fund Balance	\$ 46,334	\$ 36,298	\$ 3,245	\$ 12,159	\$ 1,351	\$ 470	\$ 2,821	\$ 7,101	\$	\$ 109,779

Town of Hampton, Connecticut
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
For the Year Ended June 30, 2010

	Special Revenue Funds				Permanent Funds				Total Other Governmental Funds
	School Readiness Preschool	Educational Grants Fund	Preschool/ Latchkey Fund	Recreation Fund	Various Cemetery Funds	Gates Library Fund	Durkee Library Fund	Grange Restoration Fund	
Revenues									
Intergovernmental revenues	\$ 107,029	\$ 96,023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 203,052
Local revenues	12,641	2,666	13,875	19,049	4	1	9	7,101	55,346
Total Revenues	119,670	98,689	13,875	19,049	4	1	9	7,101	258,398
Expenditures									
Current expenditures:									
General government	-	-	-	16,186	5	-	11	-	16,202
Education	109,324	98,688	12,152	-	-	2	-	-	220,166
Total expenditures	109,324	98,688	12,152	16,186	5	2	11	-	236,368
Excess (deficiency) of revenues over expenditures	10,346	1	1,723	2,863	(1)	(1)	(2)	7,101	22,030
Other financing sources and (uses)									
Operating transfers in	-	-	-	-	-	10	-	-	10
Operating transfers (out)	-	-	(1,723)	-	-	-	(10)	-	(1,733)
Total other financing sources and (uses)	-	-	(1,723)	-	-	10	(10)	-	(1,723)
Excess (deficiency) of revenues over expenditures and other financing sources and (uses)	10,346	1	-	2,863	(1)	9	(12)	7,101	20,307
Fund Balance, beginning of the year	18,650	2,146	-	9,296	1,352	461	2,833	-	34,738
Fund Balance, end of the year	\$ 28,996	\$ 2,147	\$ -	\$ 12,159	\$ 1,351	\$ 470	\$ 2,821	\$ 7,101	\$ 55,045

Town of Hampton, Connecticut
Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2010

	Balance Beginning		Additions		Deductions		Balance Ending
Student Activity Fund							
Assets							
Cash	\$ 17,604	\$	53,500	\$	(50,118)	\$	20,986
Liabilities							
Due to students	\$ 17,604	\$	53,500	\$	(50,118)	\$	20,986

**Town of Hampton, Connecticut
Report of the Property Tax Collector
For the Year Ended June 30, 2010**

Grand List	Beginning Receivable Balance	Current Year Levy	Lawful Corrections		Net Taxes Collectible	Collections During the Year			Transfer to Suspense	Ending Receivable Balance
			Additions	Deductions		Taxes	Interest	Liens		
2008		\$ 3,802,535	\$ 3,419	\$ 14,498	\$ 3,791,456	\$ 3,679,321	\$ 14,496	\$ 322	\$ 7,823	\$ 104,312
2007	48,319	-	266	1,752	46,833	20,230	8,345	723	7,308	19,295
2006	20,672	-	3	1,295	19,380	5,748	2,993	195	7,427	6,205
2005	17,776	-	4	-	17,780	4,929	2,893	72	8,065	4,786
2004	12,692	-	-	-	12,692	2,595	773	24	6,615	3,482
2003	6,178	-	-	100	6,078	154	150	-	1,458	4,466
2002	5,122	-	-	-	5,122	288	315	6	1,112	3,722
2001	4,486	-	14	14	4,486	192	221	-	853	3,441
2000	3,191	-	42	16	3,217	6	9	-	910	2,301
1999	2,326	-	-	-	2,326	-	-	-	864	1,462
1998	1,451	-	-	-	1,451	-	-	-	902	549
1997	871	-	-	-	871	-	-	-	871	-
1996	854	-	-	-	854	-	-	-	854	-
1995	764	-	-	-	764	-	-	-	764	-
		\$ 3,802,535	\$ 3,748	\$ 17,675	\$ 3,913,310	\$ 3,713,463	\$ 30,195	\$ 1,342	\$ 45,826	\$ 154,021

Town of Hampton, Connecticut
Statement of Changes in Fund Balance
Capital Nonrecurring Fund
For the Year Ended June 30, 2010

	Beginning Fund Balance	Approved Budget Transfers In	Additional Transfers In	Revenues	Total Available	Current Year Expenditures	Ending Fund Balance
DESIGNATED FUND BALANCE:							
Open Space	\$ 132,117	\$ 30,000	\$ -	\$ 4,565	\$ 166,682	\$ -	\$ 166,682
Land Acquisition	141,122	10,000	-	-	151,122	-	151,122
Town Garage/ Land	395,415	30,000	-	1,125	426,540	(312,575)	113,965
Building Maintenance	72,071	10,000	-	-	82,071	(6,900)	75,171
Hampton Elementary School	46,098	-	-	-	46,098	(20,500)	25,598
Revaluation	-	10,000	-	-	10,000	-	10,000
Fire Truck	-	30,000	-	-	30,000	(23,044)	6,956
Historic Document Preservation	4,130	-	-	355	4,485	-	4,485
Town Clerk Discretionary Fund	479	-	-	355	834	-	834
JAG Grant	-	-	-	6,826	6,826	(6,244)	582
Grange Renovation	2,942	-	-	100	3,042	(3,042)	-
Trucks and Equipment	63,545	30,000	-	45,573	139,118	(170,147)	(31,029)
Total Designated Fund Balance	857,919	150,000	-	58,899	1,066,818	(542,452)	524,366
UNDESIGNATED FUND BALANCE	12,111	-	3,623	1,956	17,690	-	17,690
TOTAL FUND BALANCE	\$ 870,030	\$ 150,000	\$ 3,623	\$ 60,855	\$ 1,084,508	\$ (542,452)	\$ 542,056

Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

Board of Selectmen
Town of Hampton, Connecticut
Hampton, Connecticut

We have audited the financial statements of the Town of Hampton, Connecticut as of and for the year ended June 30, 2010 and have issued our report thereon dated November 23, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed 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 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 of Hampton, Connecticut's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as item ONC-10-1.

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

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

Marion + Company

November 23, 2010

Report On Compliance With Requirements That Could Have A Direct And Material Effect On Each Major Program And On Internal Control Over Compliance In Accordance With The State Single Audit Act, And On The Schedule Of Expenditures Of State Financial Assistance

Board of Selectmen
Town of Hampton, Connecticut
Hampton, Connecticut

Compliance

We have audited the Town of Hampton, Connecticut's compliance with the types of compliance requirements described in the *Office of Policy and Management Compliance Supplement* that could have a direct and material effect on each of the Town of Hampton, Connecticut's major state programs for the year ended June 30, 2010. The major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Town of Hampton, Connecticut's management. Our responsibility is to express an opinion on the Town of Hampton, Connecticut's compliance based on our audit.

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

In our opinion, the Town of Hampton, Connecticut complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2010.

State Single Audit Report (Continued)

Internal Control over Compliance

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

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

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

Schedule of Expenditures of State Financial Assistance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Hampton, Connecticut as of and for the year ended June 30, 2010, and have issued our report thereon dated November 23, 2010. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hampton, Connecticut's basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

State Single Audit Report (Continued)

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

Marion + Company

November 23, 2010

Town of Hampton, Connecticut
Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2010

State Program Pass-Through Grantor Program Title	State Grant Program Core-CT Number	Expenditures
Department of Transportation		
Town Aid Roads	12052-DOT57131-43455	\$ 25,338
Town Aid Roads	13033-DOT57131-43459	69,681
Office of Policy and Management		
Property Tax Relief for the Disabled	11000-OPM20600-17011	497
Property Tax Relief for Elderly and Totally Disabled	11000-OPM20600-17018	17,385
Property Tax Relief for Veterans	11000-OPM20600-17024	1,166
Local Capital Improvement Program (LOCIP)	12050-OPM20600-40254	31,025
Office of the State Comptroller		
PILOT on State Owned Property	11000-OSC15910-17004	35,330
Department of Education		
School Readiness and Child Care - Competitive Grant	11000-SDE64370-12113	107,000
Child Nutrition Program (School Lunch State Match)	11000-SDE64370-16072	2,021
Adult Education	11000-SDE64370-17030	1,702
		<hr/>
Total State Financial Assistance before Exempt Programs		291,145
EXEMPT PROGRAMS		
Department of Education:		
Education Cost Sharing	11000-SDE64000-17041	1,146,756
Public School Transportation	11000-SDE64000-17027	23,206
Special Education - Excess Cost - Student Based	11000-SDE64000-17047	15,410
Office of the State Comptroller		
Mashantucket Pequot and Mohegan Fund Grant	12009-OSC15910-17005	15,395
		<hr/>
Total exempt programs		1,200,767
		<hr/>
Total State Financial Assistance		1,491,912
		<hr/> <hr/>

See Accountants' Report

Town of Hampton, Connecticut
Notes to the Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2010

Various departments and agencies of the State of Connecticut have provided financial assistance to the Town of Hampton, Connecticut through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including: education, general government, public works, and public safety.

1. Summary of Significant Accounting Policies

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

A. Basis of Accounting

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

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

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

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

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

**Town of Hampton, Connecticut
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010**

I. Summary of Audit Results

A. Financial Statements:

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

B. State Financial Assistance:

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

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

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

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

State Grantor and Program	State Core-CT Number	Expenditures
Department of Transportation:		
Town Aid Road	12052-DOT57131-43455	\$69,681
Town Aid Road	13033-DOT57131-43459	\$25,338
Department of Education:		
School Readiness and Child Care	11000-SDE64370-12112	\$107,000
Dollar threshold used to distinguish between type A and type B programs:		<u>\$100,000</u>

II. Financial Statement Findings:

ONC-10-1 Bank Account in Individual's Name

Criteria – The Town's bank accounts should be set up in the Town's name and identification number.

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

**Town of Hampton, Connecticut
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010**

Effect – The funds are not under the control of the Town. The status of the donations to the fund are not known. It is unclear at the date of the audit whether these funds will be turned over to the Town.

Views of Responsible Officials and Planned Corrective Actions – The First Selectman has asked that these funds be turned over to the Town immediately.

III. State Financial Assistance Findings And Questioned Costs

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

IV. Summary Schedule of Prior Audit Findings

MW-08-1 – Entity Level Controls

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

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

Town of Hampton, Connecticut
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

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.

MW-09-1 – Grant Bookkeeping Records

Condition: The Town contracts out the daily management of one of its grant funds. The financial records are not maintained and balanced in a timely manner.

Current Status: The finding has been corrected.