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Auditing, Accounting, and Consulting Services

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Introduction

The following 32 pages of financial information being presented in this annual report represents only selected portions of the information contained within the complete State Compliance Audit of the Town of Hampton, Connecticut for the fiscal year ended June 30, 2020. The following information focuses on the fund financial statements of the Town rather than the government-wide financial statements. This information is being presented for informational purposes only and should not be used for any other reason or by any party other than the Board of Finance, the Board of Selectman, other management of the Town, and by the inhabitants of the Town for review. A copy of the complete State Compliance Audit of the Town of Hampton, Connecticut for the fiscal year ended June 30, 2020 may be reviewed at Town hall. The complete State Compliance Audit should be reviewed before any conclusions are drawn about the financial practices, positions, and results of operations of the Town.

Independent Auditors' Report

Board of Finance
Board of Selectmen
Town of Hampton, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Hampton, Connecticut, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Town's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Single Audit Act (C.G.S. Sections 4-230 to 236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

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

Adverse Opinion on the Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of the Town of Hampton, Connecticut, as of June 30, 2020, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Hampton, Connecticut, as of June 30, 2020, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2021, on our consideration of the Town of Hampton, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Town of Hampton, Connecticut's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Hampton, Connecticut's internal control over financial reporting and compliance.

Stephen T. Hopkins, CPA, PC

Stephen T. Hopkins, CPA, PC

Scarborough, Maine
January 18, 2021

Town of Hampton, Connecticut
Management's Discussion and Analysis
June 30, 2020

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

Financial highlights - Fund financial statements

- The total assets of the Town's governmental funds exceeded the total liabilities by \$4,779,392 which represents the fund balance of these funds as of the end of the current fiscal year. This compares to the prior fiscal year when total assets exceeded total liabilities by \$4,907,486, an unfavorable decrease of (\$128,094) or approximately 2.61%. This unfavorable decrease is due to the negative results of the general fund of (\$36,856), the negative results of the small cities program fund of (\$35,516), the negative results of the capital non-recurring fund of (\$43,092) and the negative results of the non-major governmental funds of (\$12,630). The current fiscal year results compare to the prior fiscal year unfavorable decrease of (\$134,164) or approximately 2.66%.
- The total revenues of the Town's governmental funds were \$5,607,728, not including on behalf education revenues, for the current fiscal year in comparison to \$5,989,909 during the prior fiscal year, a decrease of approximately 6.38%. This revenue balance includes property tax revenues of \$3,853,631 and intergovernmental revenues of \$1,554,960, not including on behalf education revenues. The amount of property tax revenues recognized by the Town decreased from \$3,970,467 in the prior fiscal year to \$3,853,631 in the current fiscal year or approximately 2.94%. This decrease was due in part to a decrease in the budgeted tax assessment of \$181,543 but a higher than expected collection rate which resulted in the outstanding taxes receivable balance decreasing from \$189,409 during the prior fiscal year to \$183,493 in the current fiscal year.
- The total expenditures of the Town's governmental funds were \$5,735,822, not including on behalf education expenditures, for the current fiscal year in comparison to \$6,124,073 during the prior fiscal year, a decrease of approximately 6.34%. This expenditure balance includes education expenditures of \$3,806,868 for elementary and secondary education programs, current fiscal year capital expenditures of \$739,736 which included the town land purchase of the "Little river property" in the amount of \$171,500, improvements to town hall and the community center, school septic system improvements, a new town pavilion, a new school generator in the amount of \$56,195, school technology purchases, a new roll off container, a new freightliner bucket truck in the amount of \$173,691 as well as current year paving and related costs in the amount of \$234,064.
- The net change in fund balance (excess or deficiency of revenues over-under expenditures) for the Town's general fund was a negative (\$36,856) for the current fiscal year in comparison to a negative (\$243,343) for the prior fiscal year. This represents a favorable increase relating in part to the following selected current and prior fiscal year budgetary highlights.
- The actual revenues received in the Town's general fund were \$125,246 higher than the budget revenues for the current fiscal year which is a favorable variance. This "over collection" of budgeted revenues relates to a number of budgeted revenue categories. Property tax revenue was \$62,952 over the budgeted amount, state education revenue equaled the budgeted amount, state tax relief revenue was (\$759) under the budgeted amount, state other revenue was (\$2,832) under the budgeted amount and charges for services provided by the town was \$58,477 over the budgeted amount. This compares to an over collection of revenues during the prior fiscal year of \$202,511 which was also a favorable variance.
- The actual program expenditures in the Town's general fund were \$100,156 lower than the budgeted expenditures for the current fiscal year which is a favorable variance in comparison to \$151,748 lower during the prior fiscal year which was also a favorable variance. This under expenditure was due in part to the road maintenance account which was under-expended by \$10,548, the road fuel account which was under-expended by \$14,720 and the town utilities and fuel account which was under-expended by \$10,425. Transfers within and between departments in the amount of approximately \$70,311 were made during the current fiscal year as compared to transfers of approximately \$61,548 in the prior fiscal year. All of the budgeted line item transfers were approved by the Board of Finance as required. Transfers from the general fund to other town funds included transfers to the capital non-recurring fund of \$360,752 to fund current fiscal year expenditures and capital reserve accounts, to the recreation fund of \$5,150 to fund operations and from the school general fund of \$15,000 to the school lunch program to fund operations.
- In the current fiscal year, the Town approved the use of a total of \$255,000 of its unassigned general fund balance. The annual town meeting approved \$250,000 to be used to establish town and school capital reserve accounts within the capital non-recurring fund and the Board of Finance approved \$5,000 for anticipated board of finance legal costs. This in effect is the same as budgeting for a loss due to the fact that prior year accumulated balances cannot be shown as current year revenues. The town approved the use of \$651,586 of its unassigned general fund balance during the prior fiscal year.

Town of Hampton, Connecticut
Management's Discussion and Analysis
June 30, 2020

Economic factors and next year's budgets and rates

On January 30, 2020, the World Health Organization declared the COVID-19 coronavirus to be a public health emergency. On March 10, 2020, the Governor of the State of Connecticut declared a public health emergency and a civil preparedness emergency due to COVID-19. While there were no significant changes to the budget preparation process due to the COVID-19 pandemic, there were several changes to the budget approval process. Budget related meetings during May and June were held via Zoom teleconferencing. The Board of Finance operating under an executive order from the Governor approved the 2021 fiscal year budget and mill rate on June 10, 2020 via a Zoom meeting without holding a budget referendum.

General fund appropriations totaled \$5,291,918 in the approved 2021 fiscal year budget. This represented an increase of approximately .31% from the approved 2020 fiscal year budget amount of \$5,275,289. The mill rate approved for the 2021 fiscal year was 25.50. This represented a decrease of approximately 1.24% from the approved 2020 fiscal year mill rate of 25.82. The Board of Finance was able to achieve this increase in budgeted expenditures while decreasing the mill rate for the 2021 fiscal year by using \$48,000 of the unassigned general fund balance as a budgeted loss is the same as budgeting to use fund balance.

Given the uncertainty of the financial constraints that may be placed on the Town during the 2021 fiscal year as a result of the COVID-19 pandemic, the 2021 fiscal year budget included an expenditure line item in the amount of \$25,000 specifically for COVID-19 related expenditures. In addition, the Town does anticipate that additional state and or federal funding will be available during the 2021 fiscal year directly related to the reimbursement of COVID-19 related expenditures. During the current fiscal year, the Town received federal funding in relation to the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") as passed by the federal government. A portion of these CARES Act funds were passed through to state governments and made available to local governments through a reimbursement request program. Reimbursement requests were made for actual expenditures incurred from March of 2020 through June 30, 2020. The program was changed by the state to an allocation basis for expenditures incurred from July 1, 2020 through December 31, 2020. It is anticipated that additional funds will be made available related to COVID 19 expenditures incurred after December 31, 2020.

The Town believes that it has steadily maintained a sufficient unrestricted net position and unassigned fund balance to sustain the governmental activities and operations for an estimated two month period of time despite any current affects related to the COVID-19 pandemic. The Town hopes to see this trend continuing through the upcoming fiscal year based on the above mentioned items and into future fiscal years.

Contacting the Town's financial management

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

Statement C

Town of Hampton, Connecticut
Balance sheet - Governmental funds
June 30, 2020

	General fund	Small cities program fund	Capital & nonrecurring fund	Non-major governmental funds	Total governmental funds
Assets					
Cash	\$ 616,504	\$ 136,200	\$ 7,746	\$ 68,852	\$ 829,302
Investments	630,497	-	535,457	4,676	1,170,630
Receivables (net of allowance)					
Property taxes	183,493	-	-	-	183,493
Intergovernmental	10,038	-	-	7,057	17,095
Other	840	-	-	22	862
Tax acquired property	31,914	-	-	-	31,914
Notes receivable	-	2,864,697	-	-	2,864,697
Prepaid items	900	-	-	-	900
Due from other funds	9,151	-	3,150	23,319	35,620
Total assets	<u>\$ 1,483,337</u>	<u>\$ 3,000,897</u>	<u>\$ 546,353</u>	<u>\$ 103,926</u>	<u>\$ 5,134,513</u>
Liabilities					
Accounts payable	\$ 60,872	\$ -	\$ -	\$ 2,059	\$ 62,931
Accrued payroll	69,824	-	-	9,042	78,866
Other liabilities	2,591	-	-	-	2,591
Unearned revenues	539	-	-	-	539
Due to other funds	21,256	-	5,213	9,151	35,620
Total liabilities	<u>155,082</u>	<u>-</u>	<u>5,213</u>	<u>20,252</u>	<u>180,547</u>
Deferred inflows of resources					
Unavailable revenue - property taxes	174,574	-	-	-	174,574
Fund balances					
Nonspendable	900	-	-	6,623	7,523
Restricted	-	3,000,897	-	47,729	3,048,626
Committed	-	-	516,134	-	516,134
Assigned	11,749	-	-	29,322	41,071
Unassigned	1,141,032	-	25,006	-	1,166,038
Total fund balances	<u>1,153,681</u>	<u>3,000,897</u>	<u>541,140</u>	<u>83,674</u>	<u>4,779,392</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,483,337</u>	<u>\$ 3,000,897</u>	<u>\$ 546,353</u>	<u>\$ 103,926</u>	<u>\$ 5,134,513</u>

See the accompanying notes to the basic financial statements.

Statement D

Town of Hampton, Connecticut
Statement of revenues, expenditures, and changes in fund balances - Governmental funds
For the year ended June 30, 2020

	General fund	Small cities program fund	Capital & nonrecurring fund	Non-major governmental funds	Total governmental funds
Revenues					
Property tax revenues	\$ 3,853,631	\$ -	\$ -	\$ -	\$ 3,853,631
Intergovernmental - education	1,114,004	-	-	166,695	1,280,699
Intergovernmental - on behalf	501,626	-	-	-	501,626
Intergovernmental - tax relief	13,214	-	-	-	13,214
Intergovernmental - other	256,898	2,000	-	2,149	261,047
Charges for services	92,327	-	3,825	13,861	110,013
Interest income	15,205	-	9,137	53	24,395
Miscellaneous	55,256	650	4,200	4,623	64,729
Total revenues	5,902,161	2,650	17,162	187,381	6,109,354
Expenditures					
Current:					
General government	466,410	10,462	8,935	4,690	490,497
Public safety	168,025	-	-	-	168,025
Public works	565,978	-	-	2	565,980
Sanitation and waste	134,824	-	-	-	134,824
Health and welfare	17,984	-	-	-	17,984
Education	3,594,391	-	-	212,477	3,806,868
Education - on behalf	501,626	-	-	-	501,626
General and program	96,566	-	-	2,992	99,558
Unclassified	8,500	27,704	-	-	36,204
Capital outlay	-	-	412,071	-	412,071
Debt service:					
Principle	3,811	-	-	-	3,811
Interest	-	-	-	-	-
Total expenditures	5,558,115	38,166	421,006	220,161	6,237,448
Excess (deficiency) of revenues over (under) expenditures	344,046	-35,516	-403,844	-32,780	-128,094
Other financing sources (uses)					
Transfers in	-	2,026	360,752	20,150	382,928
Transfers out	-380,902	-2,026	-	-	-382,928
Total other financing sources (uses)	-380,902	-	360,752	20,150	-
Net change in fund balance	-36,856	-35,516	-43,092	-12,630	-128,094
Fund balance - July 1	1,190,537	3,036,413	584,232	96,304	4,907,486
Fund balance - June 30	\$ 1,153,681	\$ 3,000,897	\$ 541,140	\$ 83,674	\$ 4,779,392

See the accompanying notes to the basic financial statements.

Statement E

Town of Hampton, Connecticut
Statement of revenues, expenditures, and changes in fund balance
Budget and actual - Budgetary basis - General fund
For the year ended June 30, 2020

	Original budget	Budget revisions	Final budget	Actual	Variance
Revenues					
Property tax revenues	\$ 3,790,679	\$ -	\$ 3,790,679	\$ 3,853,631	\$ 62,952
Intergovernmental - education	1,114,004	-	1,114,004	1,114,004	-
Intergovernmental - tax relief	13,973	-	13,973	13,214	-759
Intergovernmental - other	259,730	-	259,730	256,898	-2,832
Charges for services	33,850	-	33,850	92,327	58,477
Interest income	6,000	-	6,000	15,205	9,205
Miscellaneous	57,053	-	57,053	55,256	-1,797
Total revenues	5,275,289	-	5,275,289	5,400,535	125,246
Expenditures					
General government:					
Selectmen	73,412	-253	73,159	67,005	6,154
Tax collector	46,367	-	46,367	42,732	3,635
Board of assessment appeals	250	-	250	250	-
Town clerk	55,665	344	56,009	49,712	6,297
Town council	3,000	1,802	4,802	4,801	1
Town treasurer	27,621	140	27,761	27,545	216
Town assessor	41,776	-	41,776	37,945	3,831
Town hall	26,050	-	26,050	21,958	4,092
Elections	28,894	-	28,894	26,315	2,579
Planning and zoning	36,661	-	36,661	32,139	4,522
Inland wetlands	5,396	-	5,396	4,242	1,154
Auditor and capital assets	14,000	4,500	18,500	15,414	3,086
Board of finance administration	1,250	2,072	3,322	3,029	293
Town utilities and fuel	50,250	-3,811	46,439	36,014	10,425
Employee retirement plan	8,800	-	8,800	7,837	963
Health insurance	92,607	-	92,607	89,039	3,568
Green energy	2,500	-	2,500	2,461	39
	514,499	4,794	519,293	468,438	50,855
Public safety:					
Fire marshal	10,168	-	10,168	8,868	1,300
Hampton volunteer fire department	68,375	-	68,375	68,375	-
Hampton volunteer fire incentive	24,405	-2,219	22,186	22,186	-
Ambulance services	28,000	-9,455	18,545	17,713	832
Dispatch services	5,246	-	5,246	5,246	-
Paramedic services	1,869	-	1,869	1,869	-
Building inspector	28,093	8,400	36,493	35,976	517
Burning permits	200	-155	45	-	45
Dot physicals	550	188	738	738	-
	166,906	-3,241	163,665	160,971	2,694
Animal control pound					
Animal control other	5,809	-	5,809	5,809	-
	1,575	-	1,575	1,245	330
	7,384	-	7,384	7,054	330

See the accompanying notes to the basic financial statements.

Statement E (continued)

Town of Hampton, Connecticut
Statement of revenues, expenditures, and changes in fund balance
Budget and actual (Budgetary basis) - General fund
For the year ended June 30, 2020

	Original budget	Budget revisions	Final budget	Actual	Variance
Public works					
Paving	\$ 220,000	\$ 33,452	\$ 253,452	\$ 253,451	\$ 1
Road maintenance	273,554	-36,547	237,007	226,459	10,548
Fuel	29,250	-2,100	27,150	12,430	14,720
Locip grant	28,554	-	28,554	24,750	3,804
Tree removal	30,000	-	30,000	30,000	-
Salt storage	5,500	-	5,500	5,500	-
Safety and training	2,500	-171	2,329	1,403	926
Town garage maintenance	2,000	7,763	9,763	9,763	-
Small tools	2,000	-81	1,919	1,141	778
Signs	1,000	81	1,081	1,081	-
	<u>594,358</u>	<u>2,397</u>	<u>596,755</u>	<u>565,978</u>	<u>30,777</u>
Sanitation and waste					
Transfer station operations	40,780	3,968	44,748	42,959	1,789
Transfer station lease	16,569	-	16,569	16,432	137
Tipping fees	49,500	4,154	53,654	53,654	-
Waste transport	21,200	580	21,780	21,779	1
	<u>128,049</u>	<u>8,702</u>	<u>136,751</u>	<u>134,824</u>	<u>1,927</u>
Health and welfare					
Public nurse	1,000	-	1,000	1,000	-
Health district	9,681	-	9,681	9,681	-
Senior citizens	2,000	-	2,000	2,000	-
Elderly services provider	1,000	-	1,000	1,000	-
United services	1,304	-	1,304	1,304	-
Other services	3,009	-	3,009	2,999	10
	<u>17,994</u>	<u>-</u>	<u>17,994</u>	<u>17,984</u>	<u>10</u>
Education					
Elementary education	2,104,318	-15,000	2,089,318	2,089,318	-
Secondary education	1,495,787	-	1,495,787	1,495,787	-
	<u>3,600,105</u>	<u>-15,000</u>	<u>3,585,105</u>	<u>3,585,105</u>	<u>-</u>
General and program					
Library	34,680	-	34,680	34,680	-
Town social security	35,512	-	35,512	26,522	8,990
Insurance and bonds	36,000	-	36,000	35,148	852
Contingency	15,000	-12,223	2,777	216	2,561
	<u>121,192</u>	<u>-12,223</u>	<u>108,969</u>	<u>96,566</u>	<u>12,403</u>
Unclassified					
Dial a ride	2,146	-	2,146	2,145	1
Organizational dues	2,805	-	2,805	2,805	-
Probate court	599	-	599	599	-
Memorial day parade	450	-	450	255	195
Other community services	2,900	760	3,660	2,696	964
	<u>8,900</u>	<u>760</u>	<u>9,660</u>	<u>8,500</u>	<u>1,160</u>

See the accompanying notes to the basic financial statements.

Statement E (continued)

Town of Hampton, Connecticut
Statement of revenues, expenditures, and changes in fund balance
Budget and actual (Budgetary basis) - General fund
For the year ended June 30, 2020

	Original budget	Budget revisions	Final budget	Actual	Variance
Debt service:					
Principal	\$ -	\$ 3,811	\$ 3,811	\$ 3,811	\$ -
Interest	-	-	-	-	-
	<u>-</u>	<u>3,811</u>	<u>3,811</u>	<u>3,811</u>	<u>-</u>
Total expenditures	<u>5,159,387</u>	<u>-10,000</u>	<u>5,149,387</u>	<u>5,049,231</u>	<u>100,156</u>
Excess (deficiency) of revenues over (under) expenditures	<u>115,902</u>	<u>10,000</u>	<u>125,902</u>	<u>351,304</u>	<u>225,402</u>
Other financing sources (uses)					
Use of unassigned fund balance	-	255,000	255,000	-	-255,000
Operating transfers in	-	-	-	-	-
Operating transfers out	-115,902	-265,000	-380,902	-380,902	-
Total other financing sources (uses)	<u>-115,902</u>	<u>-10,000</u>	<u>-125,902</u>	<u>-380,902</u>	<u>-255,000</u>
Change in fund balance	-	-	-	-29,598	-29,598
Current fiscal year encumbrances				2,028	
Prior fiscal year encumbrances				-9,286	
Non-budgeted State on behalf revenues				501,626	
Non-budgeted State on behalf expenditures				-501,626	
Net change in fund balance				-36,856	
Fund Balance - July 1				<u>1,190,537</u>	
Fund Balance - June 30				<u>\$ 1,153,681</u>	

See the accompanying notes to the basic financial statements.

Town of Hampton, Connecticut
Statement of fiduciary net position and Statement of changes
in fiduciary net position - Fiduciary funds
As of and for the year ended June 30, 2020

Statement F

	Private purpose trust funds	Agency funds	Total
Assets:			
Cash	\$ -	\$ 7,386	\$ 7,386
Investments	50,578	-	50,578
Accounts receivable	-	-	-
Due from other funds	-	-	-
Total assets	<u>50,578</u>	<u>7,386</u>	<u>57,964</u>
Liabilities:			
Accounts payable	-	149	149
Due to student groups	-	7,237	7,237
Due to other groups	-	-	-
Due to other funds	-	-	-
Total liabilities	<u>-</u>	<u>7,386</u>	<u>7,386</u>
Net position:			
Restricted			
Expendable	578	-	578
Non-expendable	50,000	-	50,000
Unrestricted	-	-	-
Total net position	<u>50,578</u>	<u>-</u>	<u>50,578</u>
Total liabilities and net position	<u>\$ 50,578</u>	<u>\$ 7,386</u>	<u>\$ 57,964</u>
Additions			
Property tax revenues	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-
Charges for services	-	-	-
Interest income	578	-	578
Miscellaneous	-	-	-
Total additions	<u>578</u>	<u>-</u>	<u>578</u>
Deductions			
Salary and wages	-	-	-
Program operating costs	92	-	92
Capital expenditures	-	-	-
Total deductions	<u>92</u>	<u>-</u>	<u>92</u>
Change in net position	486	-	486
Net position - July 1	50,092	-	50,092
Net position - June 30	<u>\$ 50,578</u>	<u>\$ -</u>	<u>\$ 50,578</u>

See the accompanying notes to the basic financial statements.

Town of Hampton, Connecticut
Notes to the basic financial statements
June 30, 2020

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

Note 1 - Summary of significant accounting policies

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

A. Reporting entity

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

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

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

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

C. Fund financial statements

1. Basis of presentation

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

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

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

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

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

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

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

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

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

Q. Major funds - Fund financial statements only

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

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

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

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

Town of Hampton, Connecticut
Notes to the basic financial statements
June 30, 2020

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

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

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

Town of Hampton, Connecticut
Notes to the basic financial statements
June 30, 2020

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

	General fund	Small cities program fund	Capital & nonrecurring fund	Non-major governmental funds	Total governmental funds
Fund balances:					
Nonspendable:					
Prepaid items	\$ 900	\$ -	\$ -	\$ -	\$ 900
Permanent fund principal	-	-	-	6,623	6,623
	<u>900</u>	<u>-</u>	<u>-</u>	<u>6,623</u>	<u>7,523</u>
Restricted:					
Program income fund	-	3,000,897	-	-	3,000,897
Town grants	-	-	-	3,186	3,186
Educational grants	-	-	-	27,274	27,274
Contribution funds	-	-	-	7,863	7,863
Enabling legislation funds	-	-	-	5,266	5,266
Permanent fund non-principal amounts	-	-	-	4,140	4,140
	<u>-</u>	<u>3,000,897</u>	<u>-</u>	<u>47,729</u>	<u>3,048,626</u>
Committed:					
Capital building maintenance	-	-	8,696	-	8,696
Grange building maintenance	-	-	2,052	-	2,052
Town hall reserve fund	-	-	22,283	-	22,283
Revaluation fund	-	-	6,911	-	6,911
Open space fund	-	-	91,876	-	91,876
Land acquisition fund	-	-	5	-	5
Fire truck reserve	-	-	123,144	-	123,144
Ambulance reserve	-	-	72,000	-	72,000
General trucks and equipment	-	-	4,662	-	4,662
Green energy efficiency	-	-	480	-	480
School capital fund	-	-	40,220	-	40,220
School reserve fund	-	-	143,805	-	143,805
	<u>-</u>	<u>-</u>	<u>516,134</u>	<u>-</u>	<u>516,134</u>
Assigned:					
School lunch program	-	-	-	20,762	20,762
Town activity funds	-	-	-	8,560	8,560
Youth sports funds	9,721	-	-	-	9,721
Current fiscal year encumbrances	2,028	-	-	-	2,028
	<u>11,749</u>	<u>-</u>	<u>-</u>	<u>29,322</u>	<u>41,071</u>
Unassigned					
General fund	1,141,032	-	-	-	1,141,032
Unallocated balances	-	-	25,006	-	25,006
	<u>1,141,032</u>	<u>-</u>	<u>25,006</u>	<u>-</u>	<u>1,166,038</u>
Total fund balances	<u>\$ 1,153,681</u>	<u>\$ 3,000,897</u>	<u>\$ 541,140</u>	<u>\$ 83,674</u>	<u>\$ 4,779,392</u>

S. Estimates

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

Town of Hampton, Connecticut
Notes to the basic financial statements
June 30, 2020

Note 3 - Deposits and investments

The deposit of public funds is controlled by the Connecticut General Statutes Section 7-402. Deposits may be made in a qualified public depository as defined by the statute or, in amounts not exceeding FDIC insurance limits, in an out of state bank as defined by the statute, which is not a qualified public depository. Section 7-400 of the statutes permit municipalities to invest public funds in: 1) obligations of the United States and its agencies, 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof, and 3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open-end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the statutes cover specific municipal funds with particular investment authority. The Town does have other types of investments that represent assets which have been donated to the Town and therefore are not subject to specific state statute limitations.

Deposits

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a formal deposit policy for custodial credit risk beyond the requirements of State statutes. FDIC insurance covers all deposit accounts, including checking and savings accounts, money market deposit accounts and certificates of deposit. The standard insurance amount is \$250,000 per depositor, per insured bank, for each account ownership category. For government accounts the ownership category is per official custodian. At year end, the carrying amount of the Town's deposits was \$891,942 which is shown in the financial statements as cash balances of \$836,688 and investment balances of \$55,254 which represent certificates of deposit accounts and higher yielding money market accounts as applicable. The corresponding bank balances of these accounts at various financial institutions totaled \$748,157 with the difference between the two amounts being represented by timing differences with outstanding checks, deposits in transit and cash on hand. Of these bank balances, \$500,000 was determined to be covered by FDIC with the remaining \$248,157 representing balances that were determined to be uninsured and collateralized in part, as described in the following paragraph, by securities held by the pledging financial institutions' trust department or agent but not in the Town's name.

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

Investments

The following schedule shows these different types of investments as held by the Town, the maturities of these investments and the associated credit ratings as of June 30, 2020.

Type	Fair value	Maturities in years			Credit ratings
		Less than 1 year	1 - 5 years	6 - 10 years	
Governmental types & funds:					
CT short term investment fund	\$ 1,165,954	\$ 1,165,954	\$ -	\$ -	AAAm
Certificates of deposit	4,676	-	4,676	-	not rated
	<u>\$ 1,170,630</u>	<u>\$ 1,165,954</u>	<u>\$ 4,676</u>	<u>\$ -</u>	
Fiduciary funds:					
Certificates of deposit	\$ 50,578	\$ -	\$ 50,578	\$ -	not rated

Town of Hampton, Connecticut
Notes to the basic financial statements
June 30, 2020

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

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB statements require or permit in the Statement of Net Position or Balance Sheet at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date; Level 2 inputs are other than quoted prices in Level 1 that are observable for the asset or liability, or similar assets or liabilities either directly or indirectly through corroboration with observable market data; Level 3 inputs are significant unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Investments	Fair value	Fair value measurement		
		Level 1	Level 2	Level 3
Governmental types & funds:				
CT short term investment fund	\$ 1,165,954	\$ 1,165,954	\$ -	\$ -
Certificates of deposit	4,676	4,676	-	-
	<u>\$ 1,170,630</u>	<u>\$ 1,170,630</u>	<u>\$ -</u>	<u>\$ -</u>
Fiduciary funds:				
Certificates of deposit	\$ 50,578	\$ 50,578	\$ -	\$ -

Note 10 - Town employee benefit plans

The employees of the Town are covered under a Savings Incentive Match Plan for Employees Individual Retirement Account, more commonly known as a "SIMPLE IRA" plan. All employees who received at least \$5,000 in compensation during any preceding calendar years (whether or not consecutive) and who are reasonably expected to receive at least \$5,000 in compensation during the calendar year, are eligible to participate in the plan for the calendar year. The Town has chosen to exclude employees who are covered by a collective bargaining agreements, if retirement benefits were the subject of good faith bargaining between the Town and the employee representatives. For each calendar year, the Town makes a matching contribution to each eligible employees SIMPLE IRA equal to the eligible employees salary reduction contributions up to 3% of the eligible employees compensation for the calendar year. During the current fiscal year, 9 employees were eligible for the plan and received matching contributions by the Town at some point during the fiscal year in the amount of \$7,837. The total payroll for all Town employees for the current fiscal year totaled approximately \$397,251 with the amount attributable to contributing eligible employees under the plan totaling approximately \$275,049.

Town of Hampton, Connecticut
 Combining Balance sheet and combining Statement of revenues,
 expenditures and changes in fund balances - Non-major governmental funds
 As of and for the year ended June 30, 2020

Schedule A

	Non-major special funds	Non-major permanent funds	Totals
Assets			
Cash	\$ 62,765	\$ 6,087	\$ 68,852
Investments	-	4,676	4,676
Accounts receivable	7,079	-	7,079
Prepaid items	-	-	-
Due from other funds	23,319	-	23,319
Total assets	<u>93,163</u>	<u>10,763</u>	<u>103,926</u>
Liabilities			
Accounts payable	2,059	-	2,059
Accrued payroll	9,042	-	9,042
Due to other funds	9,151	-	9,151
Total liabilities	<u>20,252</u>	<u>-</u>	<u>20,252</u>
Fund balance			
Nonspendable	-	6,623	6,623
Restricted	43,589	4,140	47,729
Committed	-	-	-
Assigned	29,322	-	29,322
Unassigned	-	-	-
Total fund balance	<u>72,911</u>	<u>10,763</u>	<u>83,674</u>
Total liabilities and fund balance	<u>\$ 93,163</u>	<u>\$ 10,763</u>	<u>\$ 103,926</u>
Revenues			
Intergovernmental revenues	\$ 168,844	\$ -	\$ 168,844
Charges for services	13,861	-	13,861
Interest income	-	53	53
Miscellaneous	4,623	-	4,623
Total revenues	<u>187,328</u>	<u>53</u>	<u>187,381</u>
Expenditures			
Salary and wages	129,485	-	129,485
Program operating costs	90,668	8	90,676
Capital expenditures	-	-	-
Total expenditures	<u>220,153</u>	<u>8</u>	<u>220,161</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-32,825</u>	<u>45</u>	<u>-32,780</u>
Other financing sources (uses)			
Transfers in	20,150	-	20,150
Transfers out	-	-	-
Total other financing sources (uses)	<u>20,150</u>	<u>-</u>	<u>20,150</u>
Net change in fund balance	-12,675	45	-12,630
Fund balance - July 1	<u>85,586</u>	<u>10,718</u>	<u>96,304</u>
Fund balance - June 30	<u>\$ 72,911</u>	<u>\$ 10,763</u>	<u>\$ 83,674</u>

Town of Hampton, Connecticut
 Combining Balance sheet and combining Statement of revenues,
 expenditures and changes in fund balances - Non-major special revenue funds
 As of and for the year ended June 30, 2020

Schedule B

	School lunch program	Town COVID-19 relief fund grant	Emergency management grant	Historic document preservation	Town clerk discretionary fund
Assets					
Cash	\$ 20,762	\$ -	\$ -	\$ 22	\$ 31
Investments	-	-	-	-	-
Accounts receivable	-	2,149	-	-	-
Prepaid items	-	-	-	-	-
Due from other funds	-	-	3,186	2,837	2,376
Total assets	<u>20,762</u>	<u>2,149</u>	<u>3,186</u>	<u>2,859</u>	<u>2,407</u>
Liabilities					
Accounts payable	-	-	-	-	-
Accrued payroll	-	-	-	-	-
Due to other funds	-	2,149	-	-	-
Total liabilities	<u>-</u>	<u>2,149</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance					
Nonspendable	-	-	-	-	-
Restricted	-	-	3,186	2,859	2,407
Committed	-	-	-	-	-
Assigned	20,762	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balance	<u>20,762</u>	<u>-</u>	<u>3,186</u>	<u>2,859</u>	<u>2,407</u>
Total liabilities and fund balance	<u>\$ 20,762</u>	<u>\$ 2,149</u>	<u>\$ 3,186</u>	<u>\$ 2,859</u>	<u>\$ 2,407</u>
Revenues					
Intergovernmental revenues	\$ -	\$ 2,149	\$ -	\$ -	\$ -
Charges for services	-	-	-	450	505
Interest income	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>-</u>	<u>2,149</u>	<u>-</u>	<u>450</u>	<u>505</u>
Expenditures					
Salary and wages	-	1,344	-	-	-
Program operating costs	27,253	805	-	-	1,535
Capital expenditures	-	-	-	-	-
Total expenditures	<u>27,253</u>	<u>2,149</u>	<u>-</u>	<u>-</u>	<u>1,535</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-27,253</u>	<u>-</u>	<u>-</u>	<u>450</u>	<u>-1,030</u>
Other financing sources (uses)					
Transfers in	15,000	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-12,253	-	-	450	-1,030
Fund balance - July 1	<u>33,015</u>	<u>-</u>	<u>3,186</u>	<u>2,409</u>	<u>3,437</u>
Fund balance - June 30	<u>\$ 20,762</u>	<u>\$ -</u>	<u>\$ 3,186</u>	<u>\$ 2,859</u>	<u>\$ 2,407</u>

Schedule B (continued)

Town of Hampton, Connecticut
 Combining Balance sheet and combining Statement of revenues,
 expenditures and changes in fund balances - Non-major special revenue funds
 As of and for the year ended June 30, 2020

	Fuel donations fund	Recreation activities fund	School readiness fund	Elementary education grants	Totals
Assets					
Cash	\$ -	\$ 8,560	\$ 4,022	\$ 29,368	\$ 62,765
Investments	-	-	-	-	-
Accounts receivable	-	-	22	4,908	7,079
Prepaid items	-	-	-	-	-
Due from other funds	7,863	-	7,057	-	23,319
Total assets	<u>7,863</u>	<u>8,560</u>	<u>11,101</u>	<u>34,276</u>	<u>93,163</u>
Liabilities					
Accounts payable	-	-	2,059	-	2,059
Accrued payroll	-	-	9,042	-	9,042
Due to other funds	-	-	-	7,002	9,151
Total liabilities	-	-	<u>11,101</u>	<u>7,002</u>	<u>20,252</u>
Fund balance					
Nonspendable	-	-	-	-	-
Restricted	7,863	-	-	27,274	43,589
Committed	-	-	-	-	-
Assigned	-	8,560	-	-	29,322
Unassigned	-	-	-	-	-
Total fund balance	<u>7,863</u>	<u>8,560</u>	<u>-</u>	<u>27,274</u>	<u>72,911</u>
Total liabilities and fund balance	<u>\$ 7,863</u>	<u>\$ 8,560</u>	<u>\$ 11,101</u>	<u>\$ 34,276</u>	<u>\$ 93,163</u>
Revenues					
Intergovernmental revenues	\$ -	\$ -	\$ 91,481	\$ 75,214	\$ 168,844
Charges for services	-	-	11,552	1,354	13,861
Interest income	-	-	-	-	-
Miscellaneous	1,650	928	-	2,045	4,623
Total revenues	<u>1,650</u>	<u>928</u>	<u>103,033</u>	<u>78,613</u>	<u>187,328</u>
Expenditures					
Salary and wages	-	-	95,153	32,988	129,485
Program operating costs	1,000	2,993	11,821	45,261	90,668
Capital expenditures	-	-	-	-	-
Total expenditures	<u>1,000</u>	<u>2,993</u>	<u>106,974</u>	<u>78,249</u>	<u>220,153</u>
Excess (deficiency) of revenues over (under) expenditures	<u>650</u>	<u>-2,065</u>	<u>-3,941</u>	<u>364</u>	<u>-32,825</u>
Other financing sources (uses)					
Transfers in	-	5,150	-	-	20,150
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>5,150</u>	<u>-</u>	<u>-</u>	<u>20,150</u>
Net change in fund balance	650	3,085	-3,941	364	-12,675
Fund balance - July 1	<u>7,213</u>	<u>5,475</u>	<u>3,941</u>	<u>26,910</u>	<u>85,586</u>
Fund balance - June 30	<u>\$ 7,863</u>	<u>\$ 8,560</u>	<u>\$ -</u>	<u>\$ 27,274</u>	<u>\$ 72,911</u>

Schedule C

Town of Hampton, Connecticut
 Combining Balance sheet and combining Statement of revenues,
 expenditures and changes in fund balances - Non-major permanent funds
 As of and for the year ended June 30, 2020

	Library trust fund	Cemetery trust fund	Dupuis memorial fund	Totals
Assets				
Cash	\$ -	\$ -	\$ 6,087	\$ 6,087
Investments	3,319	1,357	-	4,676
Accounts receivable	-	-	-	-
Prepaid items	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>3,319</u>	<u>1,357</u>	<u>6,087</u>	<u>10,763</u>
Liabilities				
Accounts payable	-	-	-	-
Accrued payroll	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	-	-	-	-
Fund balance				
Nonspendable	3,281	1,342	2,000	6,623
Restricted	38	15	4,087	4,140
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balance	<u>3,319</u>	<u>1,357</u>	<u>6,087</u>	<u>10,763</u>
Total liabilities and fund balance	<u>\$ 3,319</u>	<u>\$ 1,357</u>	<u>\$ 6,087</u>	<u>\$ 10,763</u>
Revenues				
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Interest income	38	15	-	53
Miscellaneous	-	-	-	-
Total revenues	<u>38</u>	<u>15</u>	<u>-</u>	<u>53</u>
Expenditures				
Salary and wages	-	-	-	-
Program operating costs	6	2	-	8
Capital expenditures	-	-	-	-
Total expenditures	<u>6</u>	<u>2</u>	<u>-</u>	<u>8</u>
Excess (deficiency) of revenues over (under) expenditures	<u>32</u>	<u>13</u>	<u>-</u>	<u>45</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	32	13	-	45
Fund balance - July 1	<u>3,287</u>	<u>1,344</u>	<u>6,087</u>	<u>10,718</u>
Fund balance - June 30	<u>\$ 3,319</u>	<u>\$ 1,357</u>	<u>\$ 6,087</u>	<u>\$ 10,763</u>

Town of Hampton, Connecticut
 Combining Statement of fiduciary net position and Statement
 of changes in fiduciary net position - Private purpose trusts
 As of and for the year ended June 30, 2020

Schedule D

	Volunteer fire company trust	Ambulance corp trust	Totals
Assets			
Cash	\$ -	\$ -	\$ -
Investments	25,289	25,289	50,578
Accounts receivable	-	-	-
Prepaid items	-	-	-
Due from other funds	-	-	-
Total assets	<u>25,289</u>	<u>25,289</u>	<u>50,578</u>
Liabilities			
Accounts payable	-	-	-
Accrued payroll	-	-	-
Due to other funds	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Net position			
Restricted			
Expendable	289	289	578
Non-expendable	25,000	25,000	50,000
Unrestricted	-	-	-
Total net position	<u>25,289</u>	<u>25,289</u>	<u>50,578</u>
Total liabilities and net position	<u>\$ 25,289</u>	<u>\$ 25,289</u>	<u>\$ 50,578</u>
Additions:			
Intergovernmental revenues	\$ -	\$ -	\$ -
Charges for services	-	-	-
Interest income	289	289	578
Miscellaneous	-	-	-
Total additions	<u>289</u>	<u>289</u>	<u>578</u>
Deductions:			
Salary and wages	-	-	-
Program operating costs	46	46	92
Capital expenditures	-	-	-
Total deductions	<u>46</u>	<u>46</u>	<u>92</u>
Change in net position	243	243	486
Net position - July 1	25,046	25,046	50,092
Net position - June 30	<u>\$ 25,289</u>	<u>\$ 25,289</u>	<u>\$ 50,578</u>

Town of Hampton, Connecticut
 Combining Balance sheet and combining Statement of revenues,
 expenditures and changes in fund balances - Small cities program fund
 As of and for the year ended June 30, 2020

Sub-Schedule A

	Small cities grant SC1606301	Small cities program income	Totals
Assets			
Cash	\$ -	\$ 136,200	\$ 136,200
Investments	-	-	-
Accounts receivable	-	2,864,697	2,864,697
Prepaid items	-	-	-
Due from other funds	-	-	-
Total assets	<u>-</u>	<u>3,000,897</u>	<u>3,000,897</u>
Liabilities			
Accounts payable	-	-	-
Accrued payroll	-	-	-
Due to other funds	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance			
Nonspendable	-	-	-
Restricted	-	3,000,897	3,000,897
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total fund balance	<u>-</u>	<u>3,000,897</u>	<u>3,000,897</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ 3,000,897</u>	<u>\$ 3,000,897</u>
Revenues			
Intergovernmental revenues	\$ 2,000	\$ -	\$ 2,000
Charges for services	-	-	-
Interest income	-	-	-
Miscellaneous	-	650	650
Total revenues	<u>2,000</u>	<u>650</u>	<u>2,650</u>
Expenditures			
Salary and wages	-	-	-
Program operating costs	-	38,166	38,166
Capital expenditures	-	-	-
Total expenditures	<u>-</u>	<u>38,166</u>	<u>38,166</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,000</u>	<u>-37,516</u>	<u>-35,516</u>
Other financing sources (uses)			
Transfers in	-	2,026	2,026
Transfers out	-2,026	-	-2,026
Total other financing sources (uses)	<u>-2,026</u>	<u>2,026</u>	<u>-</u>
Net change in fund balance	-26	-35,490	-35,516
Fund balance - July 1	<u>26</u>	<u>3,036,387</u>	<u>3,036,413</u>
Fund balance - June 30	<u>\$ -</u>	<u>\$ 3,000,897</u>	<u>\$ 3,000,897</u>

Town of Hampton, Connecticut
 Combining Statement of revenues, expenditures, and changes
 in fund balances - Capital non-recurring fund
 As of and for the year ended June 30, 2020

	Fund balance 07/01/19	Annual appropriation & transfers	Revenues	Expenditures	Fund balance 06/30/20
General government:					
Capital building maintenance	\$ 6,686	\$ 30,000	\$ -	\$ -27,990	\$ 8,696
Grange building maintenance	2,052	-	-	-	2,052
Town hall reserve fund	-	50,000	-	-27,717	22,283
Revaluation fund	6,911	5,752	-	-5,752	6,911
Open space fund	197,895	-	3,825	-109,844	91,876
Land acquisition fund	51,661	10,000	-	-61,656	5
	<u>265,205</u>	<u>95,752</u>	<u>3,825</u>	<u>-232,959</u>	<u>131,823</u>
Public safety:					
Fire truck reserve	98,144	25,000	-	-	123,144
Ambulance reserve	60,000	12,000	-	-	72,000
	<u>158,144</u>	<u>37,000</u>	<u>-</u>	<u>-</u>	<u>195,144</u>
Public works:					
General trucks and equipment	62,462	20,000	4,200	-82,000	4,662
Health and welfare:					
Green energy efficiency	733	8,000	-	-8,253	480
Education:					
School capital fund	81,819	-	-	-41,599	40,220
School reserve fund	-	200,000	-	-56,195	143,805
	<u>81,819</u>	<u>200,000</u>	<u>-</u>	<u>-97,794</u>	<u>184,025</u>
Unclassified					
Uncommitted fund balance	15,869	-	9,137	-	25,006
Totals:	<u>\$ 584,232</u>	<u>\$ 360,752</u>	<u>\$ 17,162</u>	<u>\$ -421,006</u>	<u>\$ 541,140</u>

Stephen T. Hopkins, CPA, PC

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

Board of Finance
 Board of Selectmen
 Town of Hampton, Connecticut

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Hampton, Connecticut, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Hampton, Connecticut's basic financial statements, and have issued our report thereon dated January 18, 2021, which contained unmodified opinions on the governmental activities, each major fund and the aggregate remaining fund information. An adverse opinion was issued on the discretely presented component unit financial statements of the Town of Hampton, Connecticut as it relates to the government-wide financial statement exclusion of the financial information of entities determined to be component units. This adverse opinion is described in more detail in the Independent Auditors' Report which can be found on pages 1 and 2 of the financial statements.

Internal Control over Financial Reporting

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

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

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

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency. This significant deficiency is noted in the aforementioned schedule as item number 2020-01.

Compliance and other matters

As part of obtaining reasonable assurance about whether the Town of Hampton, Connecticut's financial statements are free from 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 or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item number 2020-01.

Purpose of this Report

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

Stephen T. Hopkins, CPA, PC

Stephen T. Hopkins, CPA, PC

Scarborough, Maine
January 18, 2021

Town of Hampton, Connecticut
Schedule of findings and questioned costs
June 30, 2020

2020-01 - Internal controls and Compliance with Connecticut General Statutes Section 7-348

Criteria:

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

Condition:

As part of the expenditure and internal control testing during the audit, a number of invoices were requested to be pulled for review of a number of items such as the correct accounting period, the correct amount being paid, items being paid from actual invoices, items being posted to the appropriate expenditure account and whether or not individual invoices are initialed as being approved. As a result of this test, it was found that a material portion of a specific invoice was posted to two different expenditure accounts for which the expenditure clearly did not match the description of the two accounts and for which there did not appear to be a budgeted expenditure account which matched the description of the expenditure within the general fund. We do consider this condition to represent a significant deficiency in internal control over financial reporting as well as internal control over compliance.

Context:

During each fiscal year, the town creates a proposed annual budget for the upcoming fiscal year to be presented to the taxpayers of the town for approval. This budget is broken out into specific expenditure accounts within specific departments and is designed to present the types of activities and services that will be provided by the town and the amounts to be spent on these activities and services. The actual expenditures within these specific accounts and departments from one fiscal year are used to assist in determining future spending levels and amounts that will be needed to provide the same activities and services by the town. During the current fiscal year, the town purchased a public works related bucket truck in the amount of \$173,691. A portion of this expenditure in the amount of \$82,000 was posted to the town trucks and equipment account within the capital and non-recurring fund which would seem to meet the definition of the established spending account. However, \$70,000 of this expenditure was posted to the town general fund road paving account and \$21,691 was posted to the town general fund first selectman's payroll account. This expenditure would appear to clearly not match the description of these two general fund expenditure accounts and I was unable to determine that there was any expenditure account included in the current fiscal year general fund budget for which this expenditure would be more accurately posted.

Connecticut General Statutes Section 7-348 relates to towns not contracting in excess of appropriations and calling for town meetings in order to increase appropriation amounts. The statute states in part that, "No officer of such town shall expend or enter into any contract by which the town shall become liable for any sum which, with any contract then in force, shall exceed the appropriation for the department, except in cases of necessity connected with the repair of highways, bridges, sidewalks and water and sewer systems and the care of the town poor, and then not more than one thousand dollars." The purchase of this public works related bucket truck would not seem to have fallen into these aforementioned cases of necessity and more so would have exceeded the provided spending threshold if they were determined to be cases of necessity. Had the intent of the posting of the portions of the aforementioned invoice to the general fund been to post it to a more accurate expenditure account within the general fund it would seem as though it would have been determined that there did not appear to be a budgeted expenditure account within the general fund which matched the description of the expenditure and as such it would seem as though it would have been determined to have been a department which needed an additional appropriation.

The aforementioned statute further states in part that, "If any occasion arises whereby more money is needed for any department of the town than has been appropriated as provided for in this chapter, the selectmen shall notify the board of finance of such fact, and the chairman of such board shall forthwith call a meeting thereof to consider the appropriation for such department and the board may make the necessary appropriation." As it would appear that there was not a budgeted expenditure account within the general fund which matched the description of this expenditure, the aforementioned parameters of this statute would appear to have been applicable. Per the aforementioned statute, the board of finance would have had the authority to make an additional appropriation to the department in an amount not to exceed \$20,000 based on the grand list value of the town. However, as the value of the aforementioned general fund expenditure postings totaled \$91,691 they would have exceeded the board of finance authority for a supplemental departmental appropriation. In accordance with the aforementioned statute, "such appropriation shall not be made until, upon the recommendation of the board, the same has been voted by the town at a meeting called for such purpose."

Town of Hampton, Connecticut
Schedule of findings and questioned costs
June 30, 2020

2020-01 - Internal controls and Compliance with Connecticut General Statutes Section 7-348 (continued)

Context (continued):

The board of selectmen approved the purchase of this public works related bucket truck during their October 7, 2019 meeting at which time they also approved a special town meeting to seemingly approve the purchase to be held on October 24, 2019. The board of finance was made aware of these items at their October 8, 2019 meeting during which a discussion regarding the purchase occurred including the perceived need, the necessary timing of the purchase as well as different purchase and financing options. The board of finance agreed to a special meeting prior to the aforementioned special town meeting to more fully discuss the purchase. The board of finance held a special meeting on October 21, 2019 to more fully discuss the purchase while also addressing questions and comments posed by the public. I was unable to locate any specific motions made by the board of finance during my review of these meeting minutes in relation to this purchase. The board of selectmen also held a special meeting on October 21, 2019 to further discuss the purchase. A motion was made and passed during this meeting to cancel the special town meeting related to this purchase which was going to be held on October 24, 2019. The public works related bucket truck in the amount of \$176,691 was purchased in accordance with the approval of the board of selectmen on October 30, 2019. The expenditure in relation to this purchase was posted in part to the capital non-recurring trucks and equipment account in the amount of \$82,000, to the general fund road paving account in the amount of \$70,000 and to the general fund first selectmen salary account in the amount of \$21,691.

Effect and cause:

Based on an interpretation of the aforementioned sections of the state statute section 7-348, it would appear that the purchase of this public works related bucket truck was not made in accordance with the applicable parameters of this statute section. The statute would appear to indicate that the board of selectmen would be responsible for informing the board of finance as to any situation whereas an additional departmental appropriation would be needed. The board of finance was seemingly informed of this situation by the board of selectmen during the October 8, 2019 meeting. It would be open to interpretation as to whether the board of selectmen had the authority to approve this expenditure prior to this notification or whether this approval was valid given the remaining portions of the statute. The statute additionally states that once the board of finance is notified of the need for an additional departmental appropriation, the chairman of the board of finance would call a meeting to consider the additional departmental appropriation and that the board may then make the additional appropriation if the amount does not exceed \$20,000. If the amount does exceed \$20,000 then the statute states that the additional departmental appropriation shall not be made until, upon the recommendation of the board of finance, the same has been voted by the town at a meeting called for such purpose.

Based on the information provided during the audit and a review of the seemingly applicable board meeting minutes, I was unable to find any motion made by the board of finance to approve this purchase nor was I able to find any motion calling for a town meeting to be called in order to vote on this additional departmental appropriation. The ultimate purchase of this public works related bucket truck resulted in the incorrect posting of the actual expenditure to accounts for which the nature of the expenditure did not match the intent of the accounts for which it was posted within the general fund. As such, it would appear as though this expenditure resulted in the need for an additional departmental appropriation which would have resulted in the need for the specific procedures within state statute section 7-348 to have been followed. As it would appear as though the specific procedures in the aforementioned statute were not followed, it would appear that the town was not in compliance with this statute as it relates to this specific purchase.

Based on the information provided during the audit and a review of the seemingly applicable board meeting minutes, it would appear that the cause of this non-compliance related to a difference in opinion between the board of selectmen and the board of finance relating to the specific procedures that needed to be followed for this purchase and the authority under which this purchase could ultimately be made.

Recommendation:

We recommend that all expenditures within the general fund and other town funds be posted to expenditure accounts for which the actual expenditure accurately matches the description of the expenditure account. This will allow for expenditure accounts to more accurately be used in the forecasting of subsequent fiscal year budget amounts and will also allow for the determination of whether or not additional departmental appropriations are needed during the fiscal year. In addition, we recommend that all of the boards of the town follow all applicable state statutes and that a more adequate set of internal control policies and procedures be developed to ensure that all applicable state statutes are followed.

Town of Hampton, Connecticut
Schedule of findings and questioned costs
June 30, 2020

2020-01 - Internal controls and Compliance with Connecticut General Statutes Section 7-348 (continued)

Views of responsible officials and planned corrective actions:

The Board of Finance is conducting a complete review and revision of the fiscal policies and procedures with the goal of adding additional checks and balances to prevent future problems.

A Board of Finance Committee including the Board of Finance Chairman, Vice Chairman, and one other member was appointed to review current procedures and to draft revisions. The First Selectman and Town Treasurer are currently working along with this committee on the new policies and procedures.

The process has included the review of numerous other Connecticut municipalities' fiscal policies and procedures. The Committee is currently drafting changes to the Town of Hampton's fiscal policies and procedures. The final draft will be submitted to both the Town Auditor and the Board of Finance Attorney for review for any suggestions or corrections to be included before approval by the Board of Finance.

The Board of Finance also submitted a letter, along with documentation, on March 12, 2020 to Ms. Kimberly Kennison of the State of Connecticut Office of Policy and Management to seek advice on ways to prevent this issue from happening in the future.

Stephen T. Hopkins, CPA, PC

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

Board of Finance
Board of Selectmen
Town of Hampton, Connecticut

Report on Compliance for Each Major State Program

We have audited the Town of Hampton, Connecticut's compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Town of Hampton, Connecticut's major state programs for the year ended June 30, 2020. The Town of Hampton, Connecticut's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the Town of Hampton, Connecticut, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Hampton, Connecticut, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Hampton, Connecticut's basic financial statements. We have issued our report thereon dated January 18, 2021, which contained unmodified opinions on the governmental activities, each major fund and the aggregate remaining fund information. An adverse opinion was issued on the discretely presented component unit financial statements of the Town of Hampton, Connecticut as it relates to the government-wide financial statement exclusion of the financial information of entities determined to be component units. This adverse opinion is described in more detail in the Independent Auditors' Report which can be found on pages 1 and 2 of the financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hampton, Connecticut's basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

Stephen T. Hopkins, CPA, PC

Stephen T. Hopkins, CPA, PC

Scarborough, Maine
January 18, 2021