

Town of Hampton, Connecticut

Financial Statements and
Supplementary Information

Year Ended June 30, 2014

Town of Hampton, Connecticut

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Year Ended June 30, 2014

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Independent Auditors' Report

**The Board of Finance
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 ("Town") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, 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 control. 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2014, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining fund financial statements and supplementary schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining fund financial statements and supplementary schedules 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. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 November 25, 2014 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

O'Connor Davies, LLP

November 25, 2014

Town of Hampton, Connecticut

Management's Discussion and Analysis
June 30, 2014

**Town of Hampton, Connecticut
Management's Discussion and Analysis
June 30, 2014**

Our discussion and analysis of the Town of Hampton's (the Government) financial performance provides an overview of the Government's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the Government's financial statements, which begin with Exhibit 1.

FINANCIAL HIGHLIGHTS

- The Town's Net Position (exhibit 2) increased by \$420,957 during the year. This is largely due to increases in operating and capital grants and contributions along with an increase in property tax revenues.
- The Town's fund balance (exhibit 4) decreased by \$105,407. The decrease can be attributable to increased debt service expenditures, partially offset by increases property tax collections and intergovernmental revenues.
- Overall revenues were higher than anticipated and expenditures were lower than anticipated when comparing the final budgeted amounts with the actual revenues and expenditures. Expenditures exceeded revenues by \$292,139, which was \$259,088 less than anticipated.

USING THIS ANNUAL REPORT

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

Reporting the Government as a Whole

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

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

Town of Hampton, Connecticut
Management's Discussion and Analysis
June 30, 2014

as changes in the Government's property tax base and the condition of the Government's roads, to assess the *overall health* of the Government.

In the Statement of Net Position and the Statement of Activities, the Government shows the following activity:

- Governmental activities—The Government's basic services are reported here, including the education, public works, and general administration. Property taxes, state and federal grants and local revenues such as fees and licenses finance most of these activities.

Reporting the Government's Most Significant Funds

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

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

The Government as Trustee

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

**Town of Hampton, Connecticut
Management's Discussion and Analysis
June 30, 2014**

THE GOVERNMENT AS A WHOLE

The Government's *combined* net position increased by \$394,031 from a year ago—*increasing* from \$9,191,407 to \$9,585,438. Last year net position *increased* by \$90,280. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Government.

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

	2014	Change During Year		2013
		Dollars	Percent	
Current and other assets	\$ 4,096,264	\$ (152,814)	-3.60%	\$ 4,249,078
Capital assets	6,459,278	39,935	0.62%	6,419,343
Total assets	<u>10,555,542</u>	<u>(112,879)</u>	-1.06%	<u>10,668,421</u>
Long-term debt outstanding	614,388	(615,069)	-50.03%	1,229,457
Other liabilities	328,790	81,233	32.81%	247,557
Total liabilities	<u>943,178</u>	<u>(533,836)</u>	-36.14%	<u>1,477,014</u>
Net position				
Net investment in capital assets	6,459,278	698,784	12.13%	5,760,494
Restricted				
Expendable	2,525,803	166,648	7.06%	2,359,155
Nonexpendable	56,562	-	0.00%	56,562
Unrestricted	<u>570,721</u>	<u>(444,475)</u>	-43.78%	<u>1,015,196</u>
Total net position	<u>\$ 9,612,364</u>	<u>\$ 420,957</u>	4.58%	<u>\$ 9,191,407</u>

The increase in net position is largely due to a reduction in long term liabilities for payments on installment notes totaling \$658,849 (Note 3E) and increases in net investment in capital assets as the result of capital asset purchases in the amount of \$370,648 which included \$301,519 for infrastructure improvements (Note 3D).

**Town of Hampton, Connecticut
Management's Discussion and Analysis
June 30, 2014**

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

	2014	Change During Year		2013
		Dollars	Percent	
Revenues				
Program revenues:				
Charges for services	\$ 152,827	\$ 5,538	3.76%	\$ 147,289
Operating grants and contributions	2,296,319	185,064	8.77%	2,111,255
Capital grants and contributions	156,848	118,305	306.94%	38,543
General revenues:		-	#DIV/0!	
Property taxes	3,933,645	42,007	1.08%	3,891,638
Grants and contributions	12,717	(1,170)	-8.43%	13,887
Interest and investment earnings	2,983	(903)	-23.24%	3,886
Other general revenues	10,918	(5,482)	-33.43%	16,400
Total revenues	<u>6,566,257</u>	<u>343,359</u>	5.52%	<u>6,222,898</u>
Program expenses				
General government	710,901	(216,399)	-23.34%	927,300
Public safety	213,559	4,077	1.95%	209,482
Public works	567,530	74,703	15.16%	492,827
Education	4,636,517	156,566	3.49%	4,479,951
Interest on long-term debt	16,793	(6,264)	-27.17%	23,057
Total expenses	<u>6,145,300</u>	<u>12,683</u>	0.21%	<u>6,132,617</u>
Increase (decrease) in net position	<u>\$ 420,957</u>	<u>\$ 330,676</u>	366.27%	<u>\$ 90,281</u>

The Town's increase in revenue in the amount of \$343,359 is largely due to increases in operating grants and contributions and capital grants and contributions totaling \$303,369. This includes a \$72,200 increase in Community Development Block Grant Funds, an increase of \$125,456 in Capital and Nonrecurring Fund grants, an increase of \$84,360 in Public Works grants, and an increase of \$9,052 in Educational Grant Fund grants.

Overall the Town's expenses had a small increase of \$12,683. The increase is largely due to the combination of decreases in general government (\$216,399) and interest on long-term debt (\$6,264) spending offset by increases in education (\$156,566), and public works (\$74,703) spending. The decrease in general government spending is attributable to the decrease in capital and nonrecurring expenses offset by increases in Community Development Block Grant fund expenses.

Governmental Activities

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

**Town of Hampton, Connecticut
Management's Discussion and Analysis
June 30, 2014**

**Table 3
Governmental Type Activities**

	Total Cost of Services			Incr. Decr.	Net Cost of Services		
	2014	2013			2014	2013	Incr. Decr.
Governmental Activities							
General government	\$ 710,901	\$ 927,300	-23.34%	\$ 275,278	\$ 650,011	-57.65%	
Public safety	213,559	209,482	1.95%	213,559	209,482	1.95%	
Public works	567,530	492,827	15.16%	322,542	334,493	-3.57%	
Education	4,636,517	4,479,951	3.49%	2,711,134	2,618,487	3.54%	
Totals	\$ 6,128,507	\$ 6,109,560	0.31%	\$ 3,522,513	\$ 3,812,473	-7.61%	

The total cost and net cost of all governmental activities increased (decreased) by .31% and (7.61%), respectively. The total cost and net cost of the general government decreased by 23.34% and 57.65% as a result of decreases in expenses and increases in charges of services, operating grants and contributions and capital grants and contributions.

The total cost and net cost of public works increased (decreased) by 15.16% and (3.57%) as a result of a \$74,703 increase in expenses and a \$86,654 increase in charges of services, operating grants and contributions and capital grants and contributions.

THE GOVERNMENT'S FUNDS

The town showed an overall decrease in fund balance of \$105,407 as presented in Exhibits 3 and 4. These statements are on the modified accrual basis and are more a measure of short-term health. While the year showed an increase in net position, it showed a decrease in fund balance in the governmental funds as presented in Exhibits 3 and 4. The difference for this is primarily the treatment of long-term debt and capital assets. In the fund balance principal payments on long-term debt are a reduction in fund balance when the payments on the debt are made. Debt payments are never a direct reduction in net position on the government-wide statements. Likewise, purchases of capital assets are a reduction in fund balance when the purchase is made. Capital asset purchases are never a direct reduction in net position on the government-wide statements.

In addition, these other changes in fund balances should be noted:

- The town made Debt payments totaling \$658,836 during the fiscal year an increase of \$508,189 when compared to the prior year.

General Fund Budgetary Highlights

Over the course of the year, the Board of Finance can revise the Government budget with additional appropriations and budget transfers. Additional appropriations increase the total budget. The Board of Finance is allowed by State Statute to make one additional appropriations up to \$20,000 per line item or department. A second additional appropriation or an appropriation over \$20,000 requires a Town Meeting. Transfers do not increase the total

**Town of Hampton, Connecticut
Management's Discussion and Analysis
June 30, 2014**

budget, but instead pull appropriations from one department that needs additional funding from other departments that might have excess funding. State Statutes allow these transfers to be made by the Board of Finance without a Town Meeting. Below is a summarized view of the final budget and actual results for the General Fund:

**Table 4
General Fund - Budget Summary**

	Final		
	Budget	Actual	Variance
Revenues			
Property Taxes	\$ 3,833,154	\$ 4,015,434	\$ 182,280
Intergovernmental	1,654,155	1,654,073	(82)
Local Revenue	103,650	125,345	21,695
Total Revenues	5,590,959	5,794,852	203,893
Expenditures			
General Government	1,506,265	1,451,184	55,081
Debt Service	655,157	655,155	2
Capital and Non-Recurring	83,501	83,501	-
Dog Fund	8,189	8,133	56
Education	3,889,074	3,889,018	56
Total Expenditures	6,142,186	6,086,991	55,195

Actual Revenues were \$203,893 more than budgeted and expenditures were \$55,195 less than budgeted.

Significant variances are summarized as follows:

- Tax collections were \$182,280 more than was budgeted.
- Local revenue was \$21,695 more than budgeted due largely to fees collected for building permits, conveyance taxes and planning and zoning revenues in excess of the amount budgeted by \$6,560, \$5,099 and \$10,994 respectively. In addition there were other revenue line items that exceeded their budgets by amount less than \$4,000. These were offset by revenue line items that were less than budgeted.
- General Government expenditures were less than budgeted by \$55,081. This is largely due to administration costs that were \$46,318 lower than anticipated.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of this year, the Government had \$10,522,108 invested in government activity capital assets. This amount represents a net increase (including additions and deductions) of \$344,380 from last year. This is primarily due to infrastructure improvements in the amount of

**Town of Hampton, Connecticut
Management's Discussion and Analysis
June 30, 2014**

\$301,519 More detailed information about the Government's capital assets is presented in Note 3D to the financial statements.

Debt

At year end, the Government had no balance in notes outstanding. This is a decrease of \$658,849 from last year. More detailed information about the Government's long-term liabilities is presented in Note 3E to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Government's elected and appointed officials considered many factors when setting the fiscal-year 2015 budget and tax rates. Management is not expecting any significant increases in revenues from intergovernmental or local sources.

Property taxes are the most significant source of revenue for the Town. Tax revenue was budgeted to decrease \$127,961 (3.34%) from 2013-2014 to 2014-2015. The Mill rate will increase by 4.93 mills from 24.8 mills to 29.73 mills.

The 2014-2015 budget is not balanced. Expenditures are expected to exceed revenues by \$200,635. This amount is included in assigned fund balance as detailed in Note 3G.

CONTACTING THE GOVERNMENT'S FINANCIAL MANAGEMENT

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

Town of Hampton, Connecticut

Basic Financial Statements
June 30, 2014

Town of Hampton, Connecticut

Statement of Net Position
June 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Cash and equivalents	\$ 1,515,488
Investments	54,807
Receivables	
Taxes, net	89,127
Accounts	35,053
Loans	2,395,993
Intergovernmental	4,429
Inventory	1,367
Capital assets	
Nondepreciable	717,185
Depreciable, net of accumulated depreciation	<u>5,742,093</u>
 Total Assets	 <u>10,555,542</u>
LIABILITIES	
Accounts payable	227,844
Accrued payroll and related	83,373
Unearned revenues	17,573
Non-current liabilities	
Due within one year	4,551
Due in more than one year	<u>609,837</u>
 Total Liabilities	 <u>943,178</u>
NET POSITION	
Net investment in capital assets	6,459,278
Restricted	
Expendable	2,525,803
Nonexpendable	56,562
Unrestricted	<u>570,721</u>
 Total Net Position	 <u>\$ 9,612,364</u>

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

Town of Hampton, Connecticut

Statement of Activities
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
General government	\$ (710,901)	\$ 67,330	\$ 266,552	\$ 101,741	\$ (275,278)
Public safety	(213,559)	-	-	-	(213,559)
Public works	(567,530)	28,141	187,970	28,877	(322,542)
Education	(4,636,517)	57,356	1,841,797	26,230	(2,711,134)
Interest on long-term debt	(16,793)	-	-	-	(16,793)
Total Governmental Activities	<u>\$ (6,145,300)</u>	<u>\$ 152,827</u>	<u>\$ 2,296,319</u>	<u>\$ 156,848</u>	<u>\$ (3,539,306)</u>
General Revenues					
Property taxes, payments in lieu of taxes, interest and liens					3,933,645
Grants and contributions not restricted to specific programs					12,717
Unrestricted interest and investment earnings					2,983
Other General Revenues					10,918
Total General Revenues					<u>3,960,263</u>
Change in Net Position					420,957
Net Position - Beginning of Year					<u>9,191,407</u>
Net Position - End of Year					<u>\$ 9,612,364</u>

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

Town of Hampton, Connecticut

Balance Sheet
 Governmental Funds
 June 30, 2014

	General Fund	Community Development Block Grants Fund	Capital Non- Recurring Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and equivalents	\$ 962,421	\$ 28,569	\$ 442,462	\$ 82,036	\$ 1,515,488
Investments	54,807	-	-	-	54,807
Taxes receivable, net of allowance for uncollectible amounts	89,127	-	-	-	89,127
Other receivables					
Accounts	34,233	-	-	820	35,053
Loans	-	2,395,993	-	-	2,395,993
Intergovernmental	-	-	-	4,429	4,429
Due from other funds	46,076	-	17,818	210	64,104
Inventories	-	-	-	1,367	1,367
Total Assets	<u>\$ 1,186,664</u>	<u>\$ 2,424,562</u>	<u>\$ 460,280</u>	<u>\$ 88,862</u>	<u>\$ 4,160,368</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 203,058	\$ 19,243	\$ -	\$ 5,543	\$ 227,844
Accrued payroll and related	83,373	-	-	-	83,373
Due to other funds	17,818	-	-	46,286	64,104
Unearned revenues	2,600	-	-	14,973	17,573
Total Liabilities	<u>306,849</u>	<u>19,243</u>	<u>-</u>	<u>66,802</u>	<u>392,894</u>
Deferred inflows of resources					
Deferred revenues	<u>80,166</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,166</u>
Fund balances					
Nonspendable	54,562	-	-	3,367	57,929
Restricted	6,910	2,405,319	108,203	5,371	2,525,803
Committed	-	-	271,033	-	271,033
Assigned	233,954	-	81,044	13,943	328,941
Unassigned	504,223	-	-	(621)	503,602
Total Fund Balances	<u>799,649</u>	<u>2,405,319</u>	<u>460,280</u>	<u>22,060</u>	<u>3,687,308</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,186,664</u>	<u>\$ 2,424,562</u>	<u>\$ 460,280</u>	<u>\$ 88,862</u>	<u>\$ 4,160,368</u>

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

Town of Hampton, Connecticut
 Reconciliation of Governmental Funds Balance Sheet
 to the Government Wide Statement of Net Position - Governmental Activities
 June 30, 2014

Fund Balances - Total Governmental Funds	<u>\$ 3,687,308</u>
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>6,459,278</u>
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	<u>80,166</u>
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences	(16,431)
OPEB obligations	<u>(597,957)</u>
	<u>(614,388)</u>
Net Position of Governmental Activities	<u>\$ 9,612,364</u>

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

Town of Hampton, Connecticut

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2014

	General Fund	Community Development Block Grant Fund	Capital Non- Recurring Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 4,015,434	\$ -	\$ -	\$ -	\$ 4,015,434
Local revenue	125,345	-	2,145	60,580	188,070
Intergovernmental	1,929,150	247,300	127,730	193,639	2,497,819
Total Revenues	<u>6,069,929</u>	<u>247,300</u>	<u>129,875</u>	<u>254,219</u>	<u>6,701,323</u>
EXPENDITURES					
Current					
General government	525,469	155,392	-	15,271	696,132
Public safety	167,584	-	-	-	167,584
Public works	778,315	-	-	-	778,315
Education	4,126,273	-	-	278,200	4,404,473
Debt service					
Principal	631,923	-	26,913	-	658,836
Interest	6,710	-	-	-	6,710
Capital outlay	-	-	94,680	-	94,680
Total Expenditures	<u>6,236,274</u>	<u>155,392</u>	<u>121,593</u>	<u>293,471</u>	<u>6,806,730</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(166,345)</u>	<u>91,908</u>	<u>8,282</u>	<u>(39,252)</u>	<u>(105,407)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	101,319	10,784	112,103
Transfers out	(112,103)	-	-	-	(112,103)
Total Other Financing Sources (Uses)	<u>(112,103)</u>	<u>-</u>	<u>101,319</u>	<u>10,784</u>	<u>-</u>
Net Change in Fund Balances	(278,448)	91,908	109,601	(28,468)	(105,407)
Fund Balances - Beginning of Year	<u>1,078,097</u>	<u>2,313,411</u>	<u>350,679</u>	<u>50,528</u>	<u>3,792,715</u>
Fund Balances - End of Year	<u>\$ 799,649</u>	<u>\$ 2,405,319</u>	<u>\$ 460,280</u>	<u>\$ 22,060</u>	<u>\$ 3,687,308</u>

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

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2014

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

Net Change in Fund Balances - Total Governmental Funds	\$ (105,407)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.</p>	
Capital outlay expenditures	344,380
Depreciation expense	<u>(304,445)</u>
	<u>39,935</u>
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Real property taxes and other revenues in the General Fund	<u>(135,066)</u>
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>	
Principal payments on long-term debt	<u>658,849</u>
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, including the change in</p>	
Accrued interest	6,426
Compensated absences	6,204
Pension and other post employment benefits asset/liability	<u>(49,984)</u>
	<u>(37,354)</u>
Change in Net Position of Governmental Activities	<u>\$ 420,957</u>

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

Town of Hampton, Connecticut

Statement of Net Position

Fiduciary Funds

June 30, 2014

	<u>Agency Funds</u>
ASSETS	
Cash	\$ <u>8,245</u>
LIABILITIES	
Due to students	\$ <u>8,245</u>

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

Town of Hampton, Connecticut

Notes to Financial Statements
June 30, 2014

1. Summary of Significant Accounting Policies

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

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

A. Financial Reporting Entity

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

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

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the primary government as a whole. For the most part, the effect of interfund activity has been removed from these statements, except for interfund services provided and used. Governmental activities are normally supported by taxes and intergovernmental revenues.

The Statement of Net Position presents the financial position of the Town at the end of its fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods or services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and (3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues. The Town does not allocate indirect expenses to functions in the Statement of Activities.

Town of Hampton, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

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

C. Fund Financial Statements

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

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

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

Fund Categories

- a. Governmental Funds - Governmental funds are those through which most general government functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following are the Town's major governmental funds:

General Fund - The General Fund constitutes the primary operating fund of the Town and is used to account for and report all financial resources not accounted for and reported in another fund.

Community Development Block Grant Fund (CDBG) – The CDBG Fund is used to account for a Federal grant. This grant funds interest-free loans for low to moderate income citizens to make necessary improvements to their homes.

Capital Nonrecurring Fund – The Capital Nonrecurring Fund is used to account for the accumulation of assets for expenditures against the five year capital improvement plan.

The Town also reports the following non-major governmental funds:

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 expenditures for specific purpose other than debt service or capital projects. The non-major Special Revenue Funds of the Town are:

Town of Hampton, Connecticut

Notes to Financial Statements (Continued)

June 30, 2014

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

School Readiness Preschool Fund – The School Readiness Preschool Fund is used to account for and report the proceeds of the School Readiness grant that are restricted to expenditures for the school readiness program.

Child Nutrition Program Fund – The Child Nutrition Program Fund is used to account for and report the proceeds of State and Federal grants and food sales that are assigned to expenditures for the school's cafeteria.

Recreation Fund – The Recreation Fund is used to account for and report the proceeds of the recreation fees that are assigned to expenditures for the recreation program.

Donation Fund – The Donation Fund is used to account for and report the proceeds of donations that are restricted to expenditures for the Board of Education.

Youth Fund – The Youth Fund is used to account for and report the proceeds of youth sports fees that are assigned to expenditures for the youth sports programs.

Educational Grants Fund – The Educational Grants Fund is used to account for educational grants. These funds are legally restricted to expenditures for a particular educational purpose.

The following is the Town's permanent fund:

Dupuis Memorial Fund – The Dupuis Memorial Fund is used to account for and report the proceeds of donations that are restricted to expenditures for the school's children.

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

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

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

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

Town of Hampton, Connecticut

Notes to Financial Statements (Continued)

June 30, 2014

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

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

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

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

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balances

Deposits, Investments and Risk Disclosure

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

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

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

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

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

Town of Hampton, Connecticut

Notes to Financial Statements (Continued)

June 30, 2014

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

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

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

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

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

Due From/To Other Funds - During the course of its operations, the Town has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of June 30, 2014, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

Town of Hampton, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

1. Summary of Significant Accounting Policies (Continued)

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

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

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

Unearned Revenues - Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. In the government-wide financial statements, unearned revenues consist of revenue received in advance and/or amounts from grants received before the eligibility requirements have been met.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Also, deferred revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Such amounts in the fund financial statements have been deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

Town of Hampton, Connecticut

Notes to Financial Statements (Continued)

June 30, 2014

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

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

Compensated Absences - It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is a liability for unpaid accumulated sick leave since the Town has a policy to pay these amounts when employees separate from service with the Town. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if the liability has matured through employee resignation or retirement.

Net Position - Net position represents the difference between assets, liabilities and deferred outflows/inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position on the Statement of Net Position includes, net investment in capital assets and restricted. The balance is classified as unrestricted.

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

- Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).
- Restricted fund balance is to be reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification will be used to report funds that are restricted for debt service obligations and for other items contained in the Connecticut statutes.
- Committed fund balance will be reported for amounts that can only be used for specific purposes pursuant to formal action of the Town's highest level of decision making authority. A motion at a Town Meeting is the highest level of decision making authority for the Town that can, by the adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, these funds may only be used for the purpose specified unless the Town removes or changes the purpose by taking the same action that was used to establish the commitment.

Town of Hampton, Connecticut

Notes to Financial Statements (Continued)

June 30, 2014

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

- Assigned fund balance, in the General Fund, represents amounts constrained either by policies of the Board of Finance for amounts assigned for balancing the subsequent year's budget or management for amounts assigned for encumbrances. Unlike commitments, assignments generally only exist temporarily, in that additional action does not normally have to be taken for the removal of an assignment. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance amounts.
- Unassigned fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities and deferred inflows, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets and deferred outflows.

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

F. Encumbrances

In order to calculate the amounts to report as restricted and unrestricted fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Town's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Town's policy to use fund balance in the following order: committed, assigned, and unassigned.

G. Use of Estimates

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

H. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is November 25, 2014.

Town of Hampton, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

2. Stewardship, Compliance and Accountability

A. Budget Basis

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

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

B. Budget Calendar

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

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

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

C. Budget Control

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

Town of Hampton, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

2. Stewardship, Compliance and Accountability (Continued)

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

D. Expenditures in Excess of Budget

During the year \$551,227 of additional appropriations were made. The appropriation for miscellaneous expenditures was over-expended by \$6,785.

E. Application of Accounting Standards

For the year ended June 30, 2014, the Town implemented:

- GASB Statement 66–*Technical Corrections–2012* – This statement resolves conflicting guidance.
- GASB Statement 67 – *Financial Reporting for Pension Plans* – This statement amends GASB Statement 25.
- GASB Statement 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees* – This statement improves the accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

F. Fund Deficit

The Child Nutrition Program Fund has an unassigned deficit of \$621 at June 30, 2014. The Town plans to address this deficit in the subsequent year.

3. Detailed Notes on All Funds

A. Cash and Cash Equivalents

Cash and cash equivalents of the Town consist of the following at June 30, 2014:

Statement of Net Position	
Cash and equivalents	\$ 1,515,488
Fiduciary Funds	
Cash and equivalents	8,245
Total Cash and Investments	<u>\$ 1,523,733</u>

Cash and Cash Equivalents - As of June 30, 2014 the carrying amount of the Town's deposits with financial institutions was:

Cash and Cash Equivalents	
Deposits with financial institutions	\$ 1,179,024
Plus external investment pools	344,709
	<u>\$ 1,523,733</u>

Town of Hampton, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

3. Detailed Notes on All Funds (Continued)

The bank balance of the deposits was \$1,220,197 and was exposed to custodial credit risk as follows:

Covered by Federal Depository Insurance	\$ 502,318
Uninsured and uncollateralized	717,879
	<u>\$ 1,220,197</u>

B. Receivables, Deferred Revenue and Unearned Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. The property taxes in the General Fund in the amount of \$80,166 were reported as *deferred revenue* because they were not received within 60 days of the year end

Governmental funds also report revenue as unearned in connection with resources that have been received, but not yet earned. This is recorded as the liability *unearned revenue* at June 30, 2014:

	General Fund	Other Governmental Funds
Advances on grants	\$ -	\$ 14,973
Fees collected in advance	2,600	-
	<u>\$ 2,600</u>	<u>\$ 14,973</u>

C. Interfund Transactions

The outstanding balances between funds result mainly from the time lag between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur; 2) transactions are recorded in the accounting system; and 3) payments between funds are made. At June 30, 2014 these were summarized as follows

Receivable fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 46,076
Capital Nonrecurring Fund	General Fund	17,818
Other Governmental Funds	Other Governmental Funds	210
		<u>\$ 64,104</u>

Fund transfers are generally used to fund special projects with general fund revenues. Transfers during the year ended June 30, 2014 were as follows

	Transfers into		Total
	Capital Nonrecurring Fund	Other Governmental Funds	
Transfers out of General Fund	<u>\$ 101,319</u>	<u>\$ 10,784</u>	<u>\$ 112,103</u>

Town of Hampton, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

3. Detailed Notes on All Funds (Continued)

D. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 717,185	\$ -	\$ -	\$ 717,185
Capital assets being depreciated				
Buildings and systems	7,213,422	55,012	-	7,268,434
Machinery and equipment	1,601,236	14,117	(26,268)	1,589,085
Infrastructure	1,363,070	301,519	-	1,664,589
	<u>10,177,728</u>	<u>370,648</u>	<u>(26,268)</u>	<u>10,522,108</u>
Total Capital Assets	10,894,913	370,648	(26,268)	11,239,293
Less accumulated depreciation	(4,475,570)	(304,445)	-	(4,780,015)
	<u>\$ 6,419,343</u>	<u>\$ 66,203</u>	<u>\$ (26,268)</u>	<u>\$ 6,459,278</u>

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

General Government	21,683
Public Safety	40,241
Public Works	110,155
Education	132,366
	<u>\$ 304,445</u>

E. Long-Term Liabilities

The following table summarizes changes in the Town's long-term indebtedness for the year ending June 30, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes and loans	\$ 658,849	\$ -	\$ (658,849)	\$ -	\$ -
Compensated absences	22,635	-	(6,204)	16,431	4,551
OPEB obligations	547,973	59,986	(10,002)	597,957	-
	<u>\$ 1,229,457</u>	<u>\$ 59,986</u>	<u>\$ (675,055)</u>	<u>\$ 614,388</u>	<u>\$ 4,551</u>

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

Town of Hampton, Connecticut

Notes to Financial Statements (Continued)
 June 30, 2014

3. Detailed Notes on All Funds (Continued)

Notes Payable

The Town had two installment notes. Both were paid off as of June 30, 2014. The other is as follows:

Interest incurred and expensed on notes and loans for the year ended June 30, 2014 totaled \$16,793.

Legal Debt Limit

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

Total tax collections (including interest and lien fees) for the year - primary government	\$ 4,015,434
Reimbursement for revenue loss on tax relief for the elderly (C.G.S. 12-129d)	18,809
Debt limitation base	<u>\$ 4,034,243</u>

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation					
2 1/4 times base	\$ 9,077,047	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	18,154,094	-	-	-
3 3/4 times base	-	-	15,128,411	-	-
3 1/4 times base	-	-	-	13,111,290	-
3 times base	-	-	-	-	12,102,729
Total debt limitation	<u>9,077,047</u>	<u>18,154,094</u>	<u>15,128,411</u>	<u>13,111,290</u>	<u>12,102,729</u>
Indebtedness					
Notes payable	-	-	-	-	-

Debt limitation in excess of debt outstanding and authorized	<u>\$ 9,077,047</u>	<u>\$ 18,154,094</u>	<u>\$ 15,128,411</u>	<u>\$ 13,111,290</u>	<u>\$ 12,102,729</u>
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In no case shall total indebtedness exceed seven times the annual receipts from taxation \$ 28,239,701

Town of Hampton, Connecticut

Notes to Financial Statements (Continued)
 June 30, 2014

3. Detailed Notes on All Funds (Continued)

F. Net Position

The components of net position are detailed below:

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

Restricted Net Position - Nonexpendable - the component of net position that reflects funds set aside in accordance with laws, regulations, grants, and other agreements that must be kept intact and cannot be spent. This is made up of \$56,562 of trust fund principal.

Restricted Net Position – Expendable - the component of net position that reflects funds set aside in accordance with laws, regulations, grants, and other agreements relating to these funds. This is made up of:

General Government	\$ 2,412,229
Education	5,371
Capital Projects	108,203
	<u>\$ 2,525,803</u>

Unrestricted - all other amounts that do not meet the definition of "restricted" or "net investment in capital assets".

G. Fund Balances

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

	General Fund	Community Development Block Grant	Capital Nonrecurring Fund	Other Governmental Funds
Nonspendable				
Not in spendable form				
Inventories	\$ -	\$ -	\$ -	\$ 1,367
Required to be maintained				
Trust principal	54,562	-	-	2,000
	<u>\$ 54,562</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,367</u>
Restricted				
General Government	6,910	2,405,319	-	-
Education	-	-	-	5,371
Capital Projects	-	-	108,203	-
	<u>\$ 6,910</u>	<u>\$ 2,405,319</u>	<u>\$ 108,203</u>	<u>\$ 5,371</u>
Committed				
Capital Projects	\$ -	\$ -	\$ 271,033	\$ -

Town of Hampton, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

3. Detailed Notes on All Funds (Continued)

	General Fund	Community Development Block Grant	Capital Nonrecurring Fund	Other Governmental Funds
Assigned				
General Government	\$ -	\$ -	\$ -	\$ 9,817
Education	33,319	-	-	(621)
Culture and Recreation	-	-	-	4,126
Capital Projects	-	-	81,044	-
To balance next year's budget	200,635	-	-	-
	<u>\$ 233,954</u>	<u>\$ -</u>	<u>\$ 81,044</u>	<u>\$ 13,322</u>

H. Employee Retirement Systems and Pension Plans

Teachers Retirement System

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

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

The funding of the system is provided by required member contributions (7 percent of their annual salary) and by amounts appropriated by the State of Connecticut General Assembly. For the year ended June 30, 2014, the State contributed \$275,077 into the pension plan on behalf of the Town. This was recorded on the GAAP statements as revenue and expenditures in the General Fund. The Town's total payroll for all employees for the year ending June 30, 2014 was \$1,642,731 of which \$1,109,766 was covered under this pension plan.

Savings Incentive Match Plan (SIMPLE)

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

Town of Hampton, Connecticut

Notes to Financial Statements (Continued)
 June 30, 2014

3. Detailed Notes on All Funds (Continued)

A contribution equal to 3.0% of the wages for each eligible employee, totaling \$5,086 in the aggregate was deposited into their accounts. The total wages for all Town employees was \$1,642,731 and the total wages for covered employees was \$322,562. The administrator of the plan is T. Rowe Price Trust Company.

I. Other Post Employment Benefit (OPEB)

Plan Description - The Town provides certain health care benefits for retired employees through a single-employer defined benefit plan administered by the Town. The Connecticut General Statutes and the various collective bargaining agreements stipulate the employees covered and the benefits provided. The plan does not issue a separate financial statement.

Funding Policy - Retired teachers and their spouses must be allowed to continue their health insurance benefits, in the same health insurance plan offered to active teachers, through their last employing Town. The Town does not contribute to the retirees' health insurance. The retirees pay 100% of the premiums in accordance with the Connecticut General Statutes and the various collective bargaining agreements.

Annual OPEB Cost ("AOC") and Net OPEB Obligation ("NOO")

Amortization Component:	
Actuarial Accrued Liability as of June 30, 2013	\$ 1,028,489
Assets at Market Value	<u>-</u>
Unfunded Actuarial Accrued Liability ("UAAL")	<u>\$ 1,028,489</u>
Funded Ratio	<u>0.00%</u>
Covered Payroll (Active plan members)	<u>\$ 1,109,283</u>
UAAL as a Percentage of Covered Payroll	<u>92.72%</u>
Annual Required Contribution	\$ 60,703
Interest on Net OPEB Obligation	20,141
Adjustment to Annual Required Contribution	<u>(20,858)</u>
Annual OPEB Cost	59,986
Contributions made	<u>(10,002)</u>
Increase in net OPEB Obligation	49,984
Net OPEB Obligation - Beginning of the year	<u>547,973</u>
Net OPEB Obligation - End of the year	<u>\$ 597,957</u>

Three year trend information is as follows:

Fiscal Year Ended	Annual OPEB Cost (AOC)	Actual Contribution Made	Percentage of AOC Contributed	Net OPEB Obligation (NOO)
June 30, 2014	\$ 59,986	\$ 10,002	16.70%	\$ 597,957
June 30, 2013	\$ 58,505	\$ 14,060	24.00%	\$ 547,973
June 30, 2012	\$ 182,455	\$ 14,940	8.20%	\$ 503,528

Town of Hampton, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

3. Detailed Notes on All Funds (Continued)

Actuarial Methods and Significant Assumptions – The Town’s annual other postemployment benefit cost (expense) is calculated based on the annual required contribution (“ARC”), an amount actuarially determined in accordance with the parameters of GASB. GASB establishes standards for the measurement, recognition and display of the expenses and liabilities for retirees’ medical insurance. As a result, reporting of expenses and liabilities is using a per capita claims cost will be determined, which will be used to determine a “normal cost”, an “actuarial accrued liability”, and ultimately the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. In addition, the assumptions and projections utilized do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial calculations of the OPEB plan reflect a long-term perspective.

The Town is required to accrue on the government-wide financial statements the amounts necessary to finance the plan as actuarially determined, which is equal to the balance not paid by plan members. Funding for the Plan has been established on a pay-as-you-go basis.

The government has elected to use the alternative approach to calculate OPEB related benefits. This allows financial statement preparers to use certain simplifying assumptions to project benefits without the use of an actuary. The significant assumptions to apply this method were developed by the Board of Education with the use of an outside vendor.

Other actuarial methods and significant assumptions are summarized as follows:

Latest Actuarial Date	June 30, 2013
Actuarial Cost Method	Entry Age
Discount Rate	4.00%
Payroll Growth Rate	2.50%
Medical Inflation	Initial rate of 8% grading down to an ultimate inflation rate of 3% in 2023 and later.
Amortization Method	Level percentage of payroll
Remaining amortization	30 years, closed
Mortality	RP2000 Mortality Table for Males and Females projected 10 years
Turnover	Standard turnover assumptions – GASB 45 paragraph 35b
Retirement	Average retirement age of 61
Future Retiree Coverage	43% are assumed to elect coverage at retirement

Town of Hampton, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

3. Detailed Notes on All Funds (Continued)

Schedule of Funding Progress

As of the last valuation date, June 30, 2013, the actuarial valuation of the plan assets was \$0. The actuarial accrued liability was \$1,028,489. The schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. There is no requirement for funding and the plan has not been funded.

4. Other Information

A. Litigation

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

B. Contingencies

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

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

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

C. Risk Management

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

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

Town of Hampton, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

4. Other Information (*Continued*)

D. Jointly Governed Organizations

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

During the year, the Town paid \$985 into the transfer station for waste disposal.

The transfer station does not have separate financial statements.

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

During the year, the Town paid \$419 into MID-NEROC for recycling services.

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

E. GASB Pronouncements Issued, But Not Yet Effective

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

- GASB Statement 68 - *Accounting and Financial Reporting for Pensions* – This statement, and GASB Statement 67 applicable to pension plans, improves information provided by state and local government employers for better decision making, accountability, interperiod equity, and creating additional transparency. This statement is effective for fiscal years beginning after June 15, 2014.
- GASB Statement 69 – *Government Combinations and Disposals of Government Operations* - This statement establishes accounting and financial reporting standards related to a variety of transactions such as mergers, acquisitions, and transfers of operations. This statement is effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013.
- GASB Statement 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date* – This statement is an amendment of GASB Statement 68 and should be applied simultaneously with the provisions of Statement 68.

Town of Hampton, Connecticut

Required Supplementary Information
June 30, 2014

Town of Hampton, Connecticut

Required Supplementary Information
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Budgetary Basis) - General Fund
 Year Ended June 30, 2014

	Budgeted Amounts			Actual	Variance
	Original	Adjustments	Final	Budgetary Basis	with Final Budget
REVENUES					
Property Tax Revenues					
Property taxes	\$3,833,121	\$ 33	\$3,833,154	\$ 4,015,434	\$ 182,280
State of Connecticut Revenues					
Education cost sharing	1,339,928	-	1,339,928	1,339,928	-
Town aid road	187,934	-	187,934	187,970	36
PILOT - state property	28,509	2,030	30,539	28,530	(2,009)
Local capital improvement	29,701	13,883	43,584	28,877	(14,707)
School transportation	20,792	-	20,792	18,190	(2,602)
PILOT - elderly veterans	19,378	-	19,378	18,809	(569)
Pequot/Mohegan fund	12,837	(12,837)	-	12,717	12,717
State preservation	4,000	-	4,000	4,000	-
Public education green energy	7,000	-	7,000	-	(7,000)
Other state grants	1,000	-	1,000	15,052	14,052
	<u>1,651,079</u>	<u>3,076</u>	<u>1,654,155</u>	<u>1,654,073</u>	<u>(82)</u>
Local Revenue					
School bus fuel	26,800	-	26,800	21,319	(5,481)
Transfer station permits	10,000	-	10,000	13,291	3,291
Building permits	8,000	-	8,000	14,560	6,560
Recording fees	9,500	-	9,500	8,451	(1,049)
Sale of equipment and recyclables	8,000	-	8,000	4,896	(3,104)
Conveyance tax	7,500	-	7,500	12,599	5,099
Telecommunication property tax	5,400	-	5,400	5,938	538
Scotland transfer station reimbursement	7,500	-	7,500	11,201	3,701
Transfer station disposal fees	3,500	-	3,500	3,649	149
Miscellaneous	4,000	-	4,000	4,392	392
Interest income	3,050	-	3,050	2,468	(582)
Ambulance corp fuel	2,250	-	2,250	2,233	(17)
Photocopies	2,500	-	2,500	1,666	(834)
Dog license	1,100	-	1,100	2,244	1,144
Miscellaneous permits	2,000	-	2,000	2,072	72
Inland wetland permits	500	-	500	1,495	995
Community center revenue	1,000	-	1,000	660	(340)
Planning and zoning books	750	-	750	11,744	10,994
Licensing	300	-	300	226	(74)
Donations	-	-	-	241	241
	<u>103,650</u>	<u>-</u>	<u>103,650</u>	<u>125,345</u>	<u>21,695</u>
Total Revenues	<u>5,587,850</u>	<u>3,109</u>	<u>5,590,959</u>	<u>5,794,852</u>	<u>203,893</u>
EXPENDITURES					
Administration					
Board of Selectmen					
First selectman	24,355	-	24,355	24,355	-
Second selectman	3,620	-	3,620	3,620	-
Third selectman	3,620	-	3,620	3,620	-
Administrative assistant salary	18,000	-	18,000	14,691	3,309
Selectmen mileage	750	-	750	59	691
Selectmen supplies and training	350	-	350	303	47
Selectman computer support	6,000	-	6,000	5,764	236

(Continued)

Town of Hampton, Connecticut

Required Supplementary Information
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Budgetary Basis) - General Fund
 Year Ended June 30, 2014

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Adjustments	Final		
Tax collector					
Tax collector salary	\$ 25,837	\$ -	\$ 25,837	\$ 25,837	\$ -
Tax collector assistant	3,000	(50)	2,950	1,588	1,362
Tax collector equipment and supplies	1,200	(324)	876	794	82
Tax collector's mileage	800	269	1,069	1,069	-
Tax Collector's refund overpaid taxes	6,000	(5,184)	816	672	144
Tax collector computer support	6,380	-	6,380	6,266	114
Tax collector professional expense	700	-	700	359	341
Tax collector postage-legal notices	3,500	3,204	6,704	6,704	-
Tax collection expenses	2,100	185	2,285	2,285	-
Board of assessment appeals	250	-	250	50	200
Town clerk					
Town clerk's salary	23,557	-	23,557	23,557	-
Town clerk land records	11,225	(1,256)	9,969	9,285	684
Town clerk's assistant salary	1,500	-	1,500	1,190	310
Town clerk mailing costs	600	-	600	174	426
Town clerk mileage	400	-	400	377	23
Town clerk professional expense	150	-	150	140	10
Town clerk conference/education	800	-	800	541	259
Town clerk vital statistics	50	-	50	-	50
Town clerk legal notices	5,000	1,256	6,256	6,255	1
Town clerk general office supplies	5,000	-	5,000	2,481	2,519
Record management projects	4,000	-	4,000	4,000	-
Town counsel	7,000	3,644	10,644	9,952	692
Treasurer					
Treasurer salary	20,000	-	20,000	20,000	-
Treasurer computer supplies	800	-	800	631	169
Treasurer mileage	550	-	550	408	142
Treasurer computer support	1,500	-	1,500	1,499	1
Treasurer professional expense	65	-	65	65	-
Treasurer postage	600	-	600	480	120
Treasurer payroll service fees	600	-	600	473	127
Assessor					
Assessor's salary	17,758	-	17,758	17,758	-
Assessor's clerk	7,300	-	7,300	6,516	784
Assessor's mileage	200	-	200	124	76
Assessor's education	200	(10)	190	100	90
Assessor's professional expense	700	(130)	570	497	73
Assessor's computer support	7,725	-	7,725	7,725	-
Assessor's mapping	1,750	(1,750)	-	-	-
Assessor office supplies/postage	400	140	540	540	-
Assessor web hosting	2,200	(1,200)	1,000	1,000	-
Town Hall:					
Town hall photocopier	2,600	-	2,600	2,305	295
Town hall water	1,100	-	1,100	1,074	26
Town hall maintenance	14,000	-	14,000	11,796	2,204
Election					
Election registrars	13,201	(836)	12,365	8,482	3,883
Election other salaries	8,740	-	8,740	8,160	580
Election training	2,409	(261)	2,148	1,486	662
Election postage and supplies	700	34	734	734	-
Election memory cards and ballots	2,366	836	3,202	3,202	-
Election HAVA expenses	720	256	976	976	-

(Continued)

Town of Hampton, Connecticut

Required Supplementary Information
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Budgetary Basis) - General Fund
 Year Ended June 30, 2014

	Budgeted Amounts			Actual	Variance
	Original	Adjustments	Final	Budgetary Basis	with Final Budget
Planning and zoning					
Planning and zoning enforcement officer	\$ 15,036	\$ -	\$ 15,036	\$ 15,036	\$ -
Planning and zoning clerk	1,290	-	1,290	556	734
Planning and zoning legal notice	1,500	-	1,500	825	675
Planning and zoning mileage	150	-	150	57	93
DEP land use fees	180	-	180	-	180
Conservation	500	-	500	330	170
Planning and zoning training	500	-	500	-	500
Planning and zoning supplies	1,000	-	1,000	74	926
Planning and zoning legal and engineering	2,000	-	2,000	512	1,488
Planning and zoning planning services	2,500	-	2,500	717	1,783
Planning and zoning professional fees	295	-	295	90	205
Inland wetlands					
Inland wetlands enforcement officer	2,782	-	2,782	2,500	282
Inland wetlands clerk	1,391	(58)	1,333	1,035	298
Inland wetlands legal notices	100	-	100	-	100
Inland wetlands mileage	176	(52)	124	-	124
Inland wetlands filing fees	180	110	290	290	-
Inland wetlands supplies	225	-	225	85	140
Auditor and fixed assets	29,000	-	29,000	28,565	435
Board of Finance administration	4,000	-	4,000	3,529	471
Utilities and oil					
Transfer station electric	1,000	(27)	973	926	47
Transfer station telephone	780	(721)	59	59	-
Town hall electric	7,000	(2,382)	4,618	3,534	1,084
Town hall oil	7,000	2,510	9,510	9,510	-
Town garage oil	8,000	(2,619)	5,381	2,981	2,400
Town hall cable	1,800	147	1,947	1,947	-
Town hall telephone	3,800	1,465	5,265	4,948	317
Town garage electric	7,500	(1,280)	6,220	5,441	779
Town garage telephone	1,100	305	1,405	1,177	228
Street light	600	(145)	455	385	70
Fire department oil	5,000	1,227	6,227	6,227	-
Community center water	400	193	593	593	-
Community center electric	1,100	-	1,100	876	224
Community center oil	3,000	-	3,000	2,681	319
Community center cleaning	1,500	525	2,025	2,025	-
Community center alarm	300	-	300	280	20
Community center supplies	500	145	645	577	68
Community center maintenance	575	(125)	450	400	50
Solar energy system	8,000	-	8,000	-	8,000
Public education green energy	7,000	(5,724)	1,276	1,276	-
Green energy committee training	500	-	500	-	500
Simple IRA	6,500	-	6,500	5,086	1,414
Health insurance	54,445	-	54,445	52,983	1,462
	<u>464,133</u>	<u>(7,683)</u>	<u>456,450</u>	<u>410,132</u>	<u>46,318</u>

(Continued)

Town of Hampton, Connecticut

Required Supplementary Information
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Budgetary Basis) - General Fund
 Year Ended June 30, 2014

	Budgeted Amounts			Actual	Variance
	Original	Adjustments	Final	Budgetary Basis	with Final Budget
Public Safety					
Fire marshal-emergency coordinator	\$ 9,634	\$ -	\$ 9,634	\$ 8,901	\$ 733
Fire department	60,400	-	60,400	60,400	-
Ambulance	24,000	-	24,000	24,000	-
911 dues	5,723	-	5,723	5,722	1
Paramedic	1,858	-	1,858	1,858	-
Building inspector salary	17,398	-	17,398	17,398	-
Building inspector mileage	1,200	(10)	1,190	686	504
Building inspector supplies	3,890	-	3,890	1,648	2,242
Building inspector training	300	-	300	20	280
Building inspector clerk	2,580	-	2,580	834	1,746
Fire Marshall Mileage	500	-	500	-	500
Fire department volunteer incentive	17,656	-	17,656	17,656	-
Burning permits	200	10	210	210	-
	<u>145,339</u>	<u>-</u>	<u>145,339</u>	<u>139,333</u>	<u>6,006</u>
Public Works					
Road paving	220,000	92,248	312,248	311,163	1,085
Road maintenance	70,000	10,418	80,418	80,321	97
Road maintenance payroll	132,996	(2,070)	130,926	130,926	-
Road maintenance payroll	22,320	(990)	21,330	21,329	1
LOCIP expense	43,584	-	43,584	43,584	-
Gasoline	6,000	-	6,000	4,980	1,020
Diesel	35,000	6,574	41,574	41,574	-
Safety committee	2,000	1,767	3,767	3,767	-
Town Garage Maintenance	3,000	-	3,000	2,359	641
Salt storage	5,500	-	5,500	5,500	-
Small tools	3,000	-	3,000	1,697	1,303
Signs	1,000	108	1,108	1,108	-
Tree removal	6,000	-	6,000	6,000	-
	<u>550,400</u>	<u>108,055</u>	<u>658,455</u>	<u>654,308</u>	<u>4,147</u>
Health and Welfare					
Public health services	1,000	-	1,000	1,000	-
Northeast District Department of Health	7,581	-	7,581	7,581	-
TVCCA	442	-	442	442	-
United Services	1,304	-	1,304	1,304	-
Access Agency	500	-	500	500	-
Senior citizens	2,100	-	2,100	2,100	-
Sexual assault crisis service	500	-	500	500	-
NECASA	264	-	264	264	-
No freeze shelter	200	-	200	200	-
Elderly Service Provider	1,000	-	1,000	1,000	-
	<u>14,891</u>	<u>-</u>	<u>14,891</u>	<u>14,891</u>	<u>-</u>
Sanitation					
Transfer station	10,000	105	10,105	10,105	-
Transfer station payroll	21,115	(1,047)	20,068	19,678	390
DEP permit fee	800	-	800	800	-
Tipping fees	45,000	(541)	44,459	42,010	2,449
Trucking	20,000	948	20,948	20,948	-
Transfer station lease	13,409	535	13,944	13,944	-
	<u>110,324</u>	<u>-</u>	<u>110,324</u>	<u>107,485</u>	<u>2,839</u>
Recreation Commission					
Recreation commission	3,195	-	3,195	3,195	-

(Continued)

Town of Hampton, Connecticut

Required Supplementary Information
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Budgetary Basis) - General Fund
 Year Ended June 30, 2014

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Adjustments	Final		
Education					
Parish Hill High School	\$ 1,756,995	\$ -	\$ 1,756,995	\$ 1,756,995	\$ -
Hampton Elementary School	2,132,079	-	2,132,079	2,132,023	56
	<u>3,889,074</u>	<u>-</u>	<u>3,889,074</u>	<u>3,889,018</u>	<u>56</u>
Library	<u>30,680</u>	<u>-</u>	<u>30,680</u>	<u>30,680</u>	<u>-</u>
Social Security Town Share	<u>30,250</u>	<u>(3,514)</u>	<u>26,736</u>	<u>25,181</u>	<u>1,555</u>
Insurance and Bonds	<u>38,670</u>	<u>-</u>	<u>38,670</u>	<u>37,924</u>	<u>746</u>
Contingency	<u>15,000</u>	<u>(3,712)</u>	<u>11,288</u>	<u>11,288</u>	<u>-</u>
Miscellaneous					
Memorial day parade	450	-	450	198	252
Organization dues	1,053	-	1,053	1,053	-
C.A.T.S. Northeast	500	-	500	500	-
Dial-a-Ride	5,484	-	5,484	5,484	-
Walking weekend	250	-	250	250	-
Probate court	525	-	525	525	-
Eastern CT Soil and Conservation	300	-	300	300	-
WINCOG	1,675	-	1,675	1,672	3
Miscellaneous	-	-	-	6,785	(6,785)
	<u>10,237</u>	<u>-</u>	<u>10,237</u>	<u>16,767</u>	<u>(6,530)</u>
Debt Service	<u>200,535</u>	<u>454,622</u>	<u>655,157</u>	<u>655,155</u>	<u>2</u>
Capital and Non-Recurring	<u>77,001</u>	<u>6,500</u>	<u>83,501</u>	<u>83,501</u>	<u>-</u>
Dog Fund	<u>8,121</u>	<u>68</u>	<u>8,189</u>	<u>8,133</u>	<u>56</u>
Total Expenditures	<u>5,587,850</u>	<u>554,336</u>	<u>6,142,186</u>	<u>6,086,991</u>	<u>55,195</u>
Deficiency of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ (551,227)</u>	<u>\$ (551,227)</u>	<u>(292,139)</u>	<u>\$ 259,088</u>
Adjustments to Generally Accepted Accounting Principles (GAAP):					
Payments on Behalf of the Town Not Recorded on a Budgetary Basis:					
Revenues from Teachers' Retirement				275,077	
Expenditures for Teachers' Retirement				(275,077)	
Current year encumbrances				33,319	
Prior year encumbrances				(19,628)	
Deficiency of Revenues and Other Financing Sources over Expenditures and Other Financing Uses - GAAP Basis (Exhibit 4)				<u>\$ (278,448)</u>	

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

Town of Hampton, Connecticut

Required Supplementary Information - Schedule of Funding Progress
Other Post Employment Benefits Trust Fund
Since Inception

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>AAL/UAAL as a Percentage of Covered Payroll</u>
6/30/2013	\$ -	\$ 1,028,489	\$ (1,028,489)	0.00%	\$ 1,109,283	-92.72%
07/01/10	\$ -	\$ 2,479,630	\$ (2,479,630)	0.00%	\$ 1,205,596	-205.68%

Town of Hampton, Connecticut

Required Supplementary Information - Schedule of Employer Contributions
Other Post Employment Benefits Trust Fund
Since Inception

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
6/30/2014	\$ 60,703	\$ 10,002	16.48%
6/30/2013	\$ 59,222	\$ 14,060	23.74%
6/30/2012	\$ 182,455	\$ 14,940	8.19%
6/30/2011	\$ 188,446	\$ 14,940	7.93%
6/30/2010	\$ 162,507	\$ -	0.00%

Town of Hampton, Connecticut

Combining Fund Financial Statements
June 30, 2014

Town of Hampton, Connecticut

Combining Balance Sheet
 Other Governmental Funds
 June 30, 2014

	Special Revenue Funds	Permanent Fund Dupuis Memorial	Total Other Governmental Funds
ASSETS			
Cash and equivalents	\$ 79,718	\$ 2,318	\$ 82,036
Other receivables			
Accounts	820	-	820
Intergovernmental	4,429	-	4,429
Due from other funds	210	-	210
Inventories	1,367	-	1,367
Total Assets	<u>\$ 86,544</u>	<u>\$ 2,318</u>	<u>\$ 88,862</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 5,543	\$ -	\$ 5,543
Due to other funds	46,286	-	46,286
Unearned revenues	14,973	-	14,973
Total Liabilities	<u>66,802</u>	<u>-</u>	<u>66,802</u>
Fund balances			
Nonspendable	1,367	2,000	3,367
Restricted	5,053	318	5,371
Assigned	13,943	-	13,943
Unassigned	(621)	-	(621)
Total Fund Balances	<u>19,742</u>	<u>2,318</u>	<u>22,060</u>
Total Liabilities and Fund Balances	<u>\$ 86,544</u>	<u>\$ 2,318</u>	<u>\$ 88,862</u>

Town of Hampton, Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Other Governmental Funds
 Year Ended June 30, 2014

	Special Revenue Funds	Permanent Fund Dupuis Memorial	Total Other Governmental Funds
REVENUES			
Local revenue	\$ 60,580	\$ -	\$ 60,580
Intergovernmental	193,639	-	193,639
Total Revenues	<u>254,219</u>	<u>-</u>	<u>254,219</u>
EXPENDITURES			
Current			
General government	15,271	-	15,271
Education	278,200	-	278,200
Total Expenditures	<u>293,471</u>	<u>-</u>	<u>293,471</u>
Deficiency of Revenues Over Expenditures	(39,252)	-	(39,252)
OTHER FINANCING SOURCES			
Transfers in	<u>10,784</u>	<u>-</u>	<u>10,784</u>
Net Change in Fund Balances	(28,468)	-	(28,468)
Fund Balances - Beginning of Year	<u>48,210</u>	<u>2,318</u>	<u>50,528</u>
Fund Balances - End of Year	<u>\$ 19,742</u>	<u>\$ 2,318</u>	<u>\$ 22,060</u>

Town of Hampton, Connecticut

Combining Balance Sheet
 Special Revenue Funds
 June 30, 2014

	School Readiness Preschool Fund	Child Nutrition Program Fund	Recreation Fund	Donations Fund	Youth Fund	Educational Grants Fund	Total Special Revenue Funds
ASSETS							
Cash and equivalents	\$ 29,502	\$ 4,359	\$ 4,126	\$ 6,087	\$ 9,817	\$ 25,827	\$ 79,718
Other receivables							
Accounts	820	-	-	-	-	-	820
Intergovernmental	-	3,020	-	-	-	1,409	4,429
Due from other funds	-	210	-	-	-	-	210
Inventories	-	1,367	-	-	-	-	1,367
Total Assets	<u>\$ 30,322</u>	<u>\$ 8,956</u>	<u>\$ 4,126</u>	<u>\$ 6,087</u>	<u>\$ 9,817</u>	<u>\$ 27,236</u>	<u>\$ 86,544</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 5,099	\$ 444	\$ -	\$ -	\$ -	\$ -	\$ 5,543
Due to other funds	22,444	7,766	-	5,959	-	10,117	46,286
Unearned revenues	-	-	-	-	-	14,973	14,973
Total Liabilities	<u>27,543</u>	<u>8,210</u>	<u>-</u>	<u>5,959</u>	<u>-</u>	<u>25,090</u>	<u>66,802</u>
Fund balances							
Nonspendable	-	1,367	-	-	-	-	1,367
Restricted	2,779	-	-	128	-	2,146	5,053
Assigned	-	-	4,126	-	9,817	-	13,943
Unassigned	-	(621)	-	-	-	-	(621)
Total Fund Balances	<u>2,779</u>	<u>746</u>	<u>4,126</u>	<u>128</u>	<u>9,817</u>	<u>2,146</u>	<u>19,742</u>
Total Liabilities and Fund Balances	<u>\$ 30,322</u>	<u>\$ 8,956</u>	<u>\$ 4,126</u>	<u>\$ 6,087</u>	<u>\$ 9,817</u>	<u>\$ 27,236</u>	<u>\$ 86,544</u>

Town of Hampton, Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Special Revenue Funds
 Year Ended June 30, 2014

	School Readiness Preschool Fund	Child Nutrition Program Fund	Recreation Fund	Donations Fund	Youth Fund	Educational Grants Fund	Total Special Revenue Funds
REVENUES							
Local revenue	\$ 13,901	\$ 18,328	\$ 9,380	\$ 14,963	\$ 200	\$ 3,808	\$ 60,580
Intergovernmental	111,331	21,490	-	-	-	60,818	193,639
Total Revenues	<u>125,232</u>	<u>39,818</u>	<u>9,380</u>	<u>14,963</u>	<u>200</u>	<u>64,626</u>	<u>254,219</u>
EXPENDITURES							
Current							
General government	-	-	14,576	-	695	-	15,271
Education	146,455	52,284	-	14,835	-	64,626	278,200
Total Expenditures	<u>146,455</u>	<u>52,284</u>	<u>14,576</u>	<u>14,835</u>	<u>695</u>	<u>64,626</u>	<u>293,471</u>
Excess (Deficiency) of Revenues Over Expenditures	(21,223)	(12,466)	(5,196)	128	(495)	-	(39,252)
OTHER FINANCING SOURCES							
Transfers in	-	7,589	3,195	-	-	-	10,784
Net Change in Fund Balances	(21,223)	(4,877)	(2,001)	128	(495)	-	(28,468)
Fund Balances - Beginning of Year	<u>24,002</u>	<u>5,623</u>	<u>6,127</u>	<u>-</u>	<u>10,312</u>	<u>2,146</u>	<u>48,210</u>
Fund Balances - End of Year	<u>\$ 2,779</u>	<u>\$ 746</u>	<u>\$ 4,126</u>	<u>\$ 128</u>	<u>\$ 9,817</u>	<u>\$ 2,146</u>	<u>\$ 19,742</u>

Town of Hampton, Connecticut

Combining Statement of Net Position
 Agency Funds
 Year Ended June 30, 2014

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Ending</u>
Student Activity Fund				
ASSETS				
Cash	<u>\$ 7,857</u>	<u>\$ 5,722</u>	<u>\$ (5,334)</u>	<u>\$ 8,245</u>
LIABILITIES				
Due to students	<u>\$ 7,857</u>	<u>\$ 5,722</u>	<u>\$ (5,334)</u>	<u>\$ 8,245</u>

Town of Hampton, Connecticut

Supplementary Schedules
June 30, 2014

Town of Hampton, Connecticut

Report of the Property Tax Collector - Cash Basis
Year Ended June 30, 2014

Grand List Year	Beginning Receivable Balance	Current Year Levy	Lawful Corrections		Net Taxes Collectible	Collections During the Year				Transfer to Suspense	Net Ending Receivable Balance
			Additions	Deductions		Taxes	Interest	Liens	Total		
2012	\$ -	\$ 3,857,631	\$ 5,913	\$ 17,932	\$3,845,612	\$3,799,994	\$ 14,688	\$ 3,248	\$ 3,817,930	\$ -	\$ 45,618
2011	87,188	-	388	385	87,191	72,241	17,037	720	89,998	59	14,891
2010	55,696	-	215	68	55,843	44,256	17,623	357	62,236	436	11,151
2009	25,028	-	-	39	24,989	16,988	9,007	180	26,175	-	8,001
2008	18,120	-	-	37	18,083	12,447	10,131	48	22,626	245	5,391
2007	7,238	-	-	44	7,194	2,886	916	72	3,874	104	4,204
2006	4,014	-	-	-	4,014	212	158	-	370	630	3,172
2005	2,927	-	-	-	2,927	131	29	-	160	824	1,972
2004	2,909	-	-	-	2,909	65	96	22	183	168	2,676
2003	3,204	-	-	-	3,204	66	111	27	204	571	2,567
2002	3,192	-	-	-	3,192	-	-	-	-	1,549	1,643
2001	1,757	-	-	-	1,757	-	-	-	-	1,300	457
2000	339	-	-	-	339	-	-	-	-	338	1
	<u>\$ 211,612</u>	<u>\$ 3,857,631</u>	<u>\$ 6,516</u>	<u>\$ 18,505</u>	<u>\$ 4,057,254</u>	<u>\$3,949,286</u>	<u>\$69,796</u>	<u>\$ 4,674</u>	<u>\$ 4,023,756</u>	<u>\$ 6,224</u>	<u>\$ 101,744</u>

Town of Hampton, Connecticut

Statement of Changes in Fund Balance - By Project
 Capital Nonrecurring Fund
 Year Ended June 30, 2014

	Beginning Fund Balance	Approved Budget Transfers In	Additional Transfers In	Revenues and New Debt	Total Available	Current Year Expenditures	Internal Transfers	Ending Fund Balance
RESTRICTED FUND BALANCE:								
Open Space from Fees	\$ -	\$ -	\$ -	\$ 102,340	\$ 102,340	\$ -	\$ -	\$ 102,340
Historic Document Preservation from Fees	5,583	-	-	280	5,863	-	-	5,863
	<u>5,583</u>	<u>-</u>	<u>-</u>	<u>102,620</u>	<u>108,203</u>	<u>-</u>	<u>-</u>	<u>108,203</u>
COMMITTED FUND BALANCE:								
Town Garage/ Land \$1,000,000	3,559	-	-	-	3,559	(1,950)	(1,609)	-
Building Maintenance	69,867	20,000	-	-	89,867	(48,399)	101,609	143,077
Elementary School - Roof \$530,000	683	-	-	-	683	-	(683)	-
Revaluation	18,334	10,000	-	-	28,334	(18,229)	-	10,105
Fire Truck	39,275	26,500	-	-	65,775	-	18,648	84,423
Ambulance	-	12,000	-	-	12,000	-	-	12,000
Trucks and Equipment	30,545	5,000	-	-	35,545	(14,117)	-	21,428
	<u>162,263</u>	<u>73,500</u>	<u>-</u>	<u>-</u>	<u>235,763</u>	<u>(82,695)</u>	<u>117,965</u>	<u>271,033</u>
ASSIGNED FUND BALANCE								
Open Space	23,976	1	-	-	23,977	(473)	-	23,504
Land Acquisition	94,022	10,000	-	-	104,022	(2,361)	(100,000)	1,661
Hampton Elementary School	44,632	-	17,818	26,230	88,680	(36,064)	683	53,299
Town Clerk Discretionary Fund	1,932	-	-	510	2,442	-	-	2,442
Not allocated to a specific project	18,270	-	-	516	18,786	-	(18,648)	138
	<u>182,832</u>	<u>10,001</u>	<u>17,818</u>	<u>27,256</u>	<u>237,907</u>	<u>(38,898)</u>	<u>(117,965)</u>	<u>81,044</u>
TOTAL FUND BALANCE	<u>\$ 350,678</u>	<u>\$ 83,501</u>	<u>\$ 17,818</u>	<u>\$ 129,876</u>	<u>\$ 581,873</u>	<u>\$ (121,593)</u>	<u>\$ -</u>	<u>\$ 460,280</u>

Town of Hampton, Connecticut

Internal Control and Compliance Reports
June 30, 2014

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

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

We have audited, 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 ("Town") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated November 25, 2014.

Internal Control over Financial Reporting

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

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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

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'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's internal control and compliance. Accordingly, this report is not suitable for any other purposes.

O'Connor Davies, LLP

November 25, 2014

Town of Hampton, Connecticut

State Single Audit
June 30, 2014

Report on Compliance for Each Major State Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

We have audited the Town of Hampton, Connecticut's ("Town") 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's major state programs for the year ended June 30, 2014. The Town'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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town'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'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's compliance.

Opinion on Each Major State Program

In our opinion, the Town 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, 2014.

Report on Internal Control over Compliance

Management of the Town 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'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'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 significant deficiencies or material weaknesses. 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 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We have issued our report thereon dated November 25, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town'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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 taken as a whole.

O'Connor Davies, LLP

November 25, 2014

Town of Hampton, Connecticut

Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2014

State Grantor Pass-Through Grantor Program Title	State Grant Program Core-CT Number	Expenditures
Connecticut State Library		
Grants to Public Libraries	11000-CSL66051-17003	\$ 1,201
Historic Documents Preservation Grants	12060-CSL66094-35150	4,000
Department of Agriculture		
Farmland Preservation	12060-DAG42720-90460	10
Department of Energy and Environmental Protection		
Community Investment Accounts	12060-DEP43153-35328	101,500
Department of Transportation		
Town Aid Road Grants Transportation Fund	13033-DOT57131-43459	187,970
Department of Justice		
Non-Budgeted Operating Appropriation	34001-JUD95162-40001	1,855
Office of Policy and Management		
Reimbursement to Towns - Tax Loss on State Owned Property	11000-OPM20600-17004	28,530
Reimburse Property Tax - Disability Exemption	11000-OPM20600-17011	461
Property Tax Relief for Elderly Circuit Breaker	11000-OPM20600-17018	17,305
Property Tax Relief for Veterans	11000-OPM20600-17024	1,043
Office of Early Childhood		
School Readiness and Child Care	11000-OEC64840-12113	107,000
School Readiness Quality Enhancement	11000-OEC64840-17097	4,331
Department of Education		
Child Nutrition State Match	11000-SDE64370-16211	498
Health Foods Initiative	11000-SDE64370-16212	1,020
Adult Education	11000-SDE64370-17030	1,638
School Breakfast Program	11000-SDE64370-17046	<u>3,018</u>
Total State Financial Assistance before Exempt Programs		<u>461,380</u>

EXEMPT PROGRAMS

Department of Education		
Education Cost Sharing	11000-SDE64000-17041	\$ 1,339,928
Public School Transportation	11000-SDE64000-17027	18,190
Department of Administrative Services		
School Construction Grants	13010-DAS27636-40901	26,230
Office of Policy and Management		
Municipal Revenue Sharing	12060-OPM20600-35458	<u>13,187</u>
Total exempt programs		<u>1,397,535</u>
Total State Financial Assistance		<u>\$ 1,858,915</u>

The accompanying notes are an integral part of this schedule

Town of Hampton, Connecticut

Notes to Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2014

1. Summary of Significant Accounting Policies

General

The accompanying Schedule of Expenditures of State Financial Assistance includes state grant activity of the Town of Hampton, Connecticut ("Town") under programs of the State of Connecticut for the fiscal year ended June 30, 2014. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut.

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America as applicable to governments.

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

Basis of Accounting

The financial statements for the governmental fund types contained in the Town's basic financial statements are prepared on the modified accrual basis of accounting. The government-wide financial statements are prepared on the full accrual basis of accounting.

- Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period,
- Expenditures are generally recorded when a liability is incurred except for debt service expenditures, as well as certain other expenditures, when applicable, related to compensated absences, pension obligations, landfill closure costs, claims and judgments, and other post-employment benefits which are recorded only when payment is due (matured).

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

Town of Hampton, Connecticut

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014

MW-08-1 – Entity Level Controls

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

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

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

Current Status: The finding has been corrected.

Town of Hampton, Connecticut

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Section 1 - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued unmodified

Internal control over financial reporting

- Material weakness(es) identified? ___ yes X no
- Significant deficiency(ies) identified? ___ yes X none reported
- Noncompliance material to financial statements noted ___ yes X no

State Financial Assistance

Internal control over major programs

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

Type of report issued on compliance for major programs: unmodified

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

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

State Grantor and Program	State Core-CT Number	Expenditures
Department of Energy and Environmental Protection		
Community Investment Account	12060-DEP43153-35328	\$101,500
Department of Transportation		
Town Aid Road Grants Transportation Fund	13033-DOT57131-43459	\$187,970
Office of Policy and Management		
Reimbursement to Towns – Tax Loss on State Owned Property	11000-OPM20600-17004	\$28,530

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

Section II - Financial Statement Findings

No matters were reported.

Section III - State Financial Assistance Findings and Questioned Costs

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