

*Financial Statements and
Supplemental Schedules*

Town of East Hampton

Year Ended June 30, 2005
With Independent Auditors' Report



Scully & Wolf, LLP
*Certified Public Accountants
and Consultants*

TOWN OF EAST HAMPTON, CONNECTICUT

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Scully & Wolf, LLP / Certified Public Accountants / Glastonbury, Connecticut 06033

INDEPENDENT AUDITORS' REPORT

Board of Finance
Town of East Hampton
East Hampton, Connecticut

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of East Hampton, Connecticut, as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of East Hampton, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2005 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 40 through 43 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

November 7, 2005

Scully + Wolf LLP

TOWN OF EAST HAMPTON, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

As management of the Town of East Hampton, Connecticut (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2005.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on current year's activities, resulting changes and current known facts, please read it in conjunction with the Town's financial statements (beginning on page 12).

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$40,219,075 (net assets). Of this amount, \$10,640,664 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$2,922,910 as a result of this year's operations.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$ 5,740,516, a decrease of \$948,782 in comparison with the prior year. Approximately 71% or \$4,050,833 of this total amount is available for spending at the Town's discretion (unreserved undesignated fund balance).
- At the end of the close of the current fiscal year, unreserved fund balance for the general fund was \$3,294,342, or 10.8% of total general fund expenditures and transfers out.
- The Town's total debt decreased by \$1,789,204 or 13.8% during the current fiscal year as a result of routine debt service payments.
- The tax collection rate was 99.1%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements are intended to distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, civic and human services, public works and utilities, education, regulatory and culture and recreation. The Town has no business-type activities.

The government-wide financial statements can be found on pages 12 and 13 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains twenty individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund and Capital Initiatives Fund, which are considered to be major funds. Data from the other eighteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 14-15 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Town government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The Town is the trustee, or fiduciary for its employees' pension plan. It is also responsible for other assets that, because of custodial arrangements, can be used only for the party on whose behalf they are held.

The basic fiduciary fund financial statements can be found on pages 16 and 17 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-39 of this report.

Required Supplementary Information

Other budgetary information required to be disclosed is provided in pages 40-43.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains combining and individual fund statements and schedules that can be found on pages 44-58 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

Over time, net assets may serve as one measure of a government’s financial position. Total net assets (governmental activities) of the Town totaled \$40,219,075 as of June 30, 2005 and are summarized as follows:

TOWN OF EAST HAMPTON		
Net Assets		
	Governmental Activities	
	<u>2005</u>	<u>2004</u>
Current and other assets.....	\$17,962,632	\$15,489,449
Capital assets	<u>40,549,808</u>	<u>37,278,797</u>
Total assets	<u>58,512,440</u>	<u>52,768,246</u>
Long-term liabilities outstanding	12,297,184	12,180,518
Other liabilities	<u>5,996,181</u>	<u>3,291,563</u>
Total liabilities	<u>18,293,365</u>	<u>15,472,081</u>
Net assets:		
Invested in capital assets, net of debt	29,561,339	24,518,877
Restricted	17,072	16,799
Unrestricted	<u>10,640,664</u>	<u>12,760,489</u>
Total net assets	<u>\$40,219,075</u>	<u>\$37,296,165</u>

74% of the Town's net assets reflect its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

0.04% of the Town's net assets are subject to external restrictions on how they may be used and are therefore presented as restricted net assets.

The remainder of the Town's net assets are considered unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

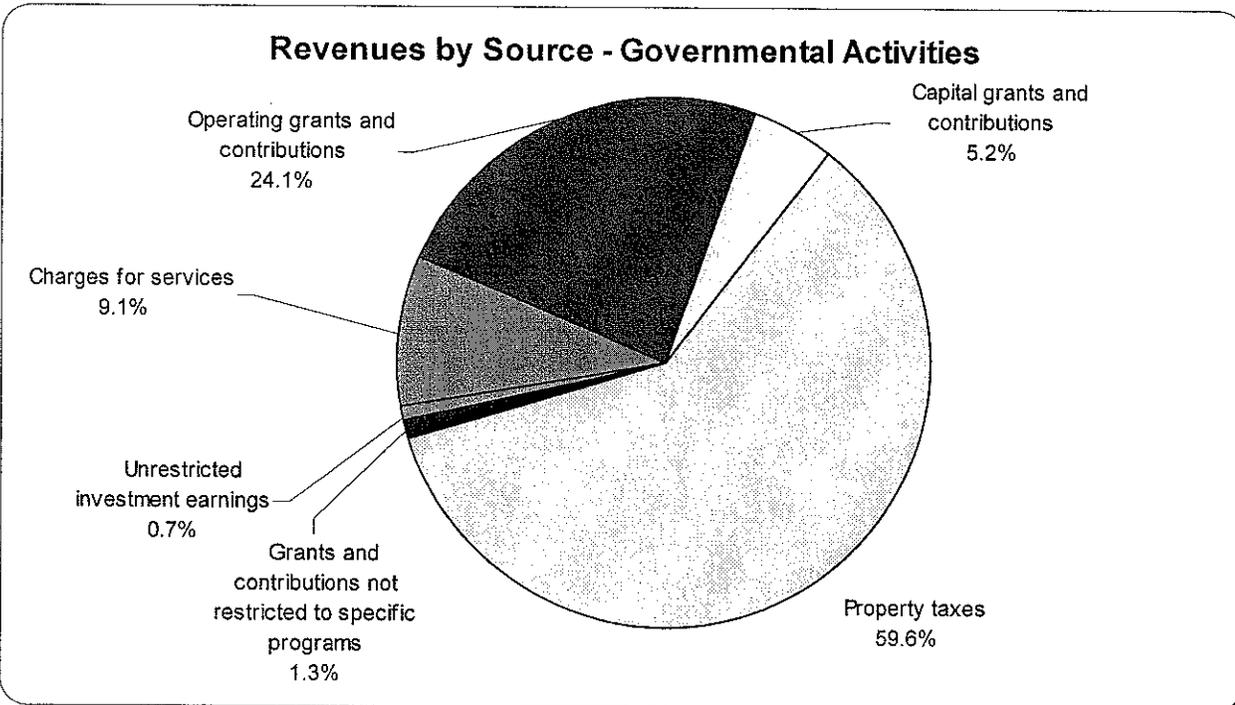
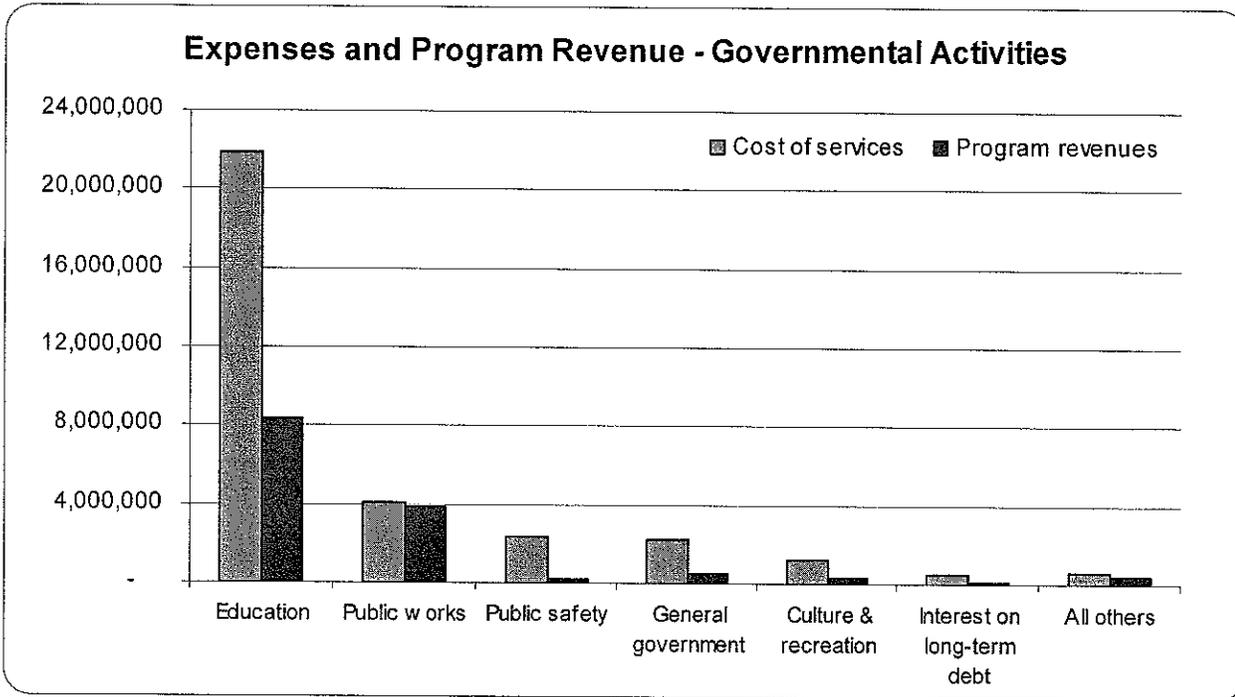
Overall, net assets increased by \$2,922,910 or 7.8% in comparison to the prior year.

Changes in Net Assets

Changes in net assets for the years ended June 30, 2005 and 2004 are as follows:

TOWN OF EAST HAMPTON		Changes In Net Assets	
	Governmental Activities		
	<u>2005</u>	<u>2004</u>	
Revenues:			
Program revenues:			
Charges for services.....	\$ 3,274,879	\$ 3,116,967	
Operating grants and contributions.....	8,634,397	7,956,811	
Capital grants and contributions	1,850,348	686,836	
General revenues:			
Property taxes	21,315,588	19,475,465	
Grants and contributions not restricted to specific programs	460,453	474,776	
Unrestricted investment earnings.....	<u>260,755</u>	<u>128,223</u>	
Total revenues	<u>35,796,420</u>	<u>31,839,078</u>	
Program expenses:			
General government.....	2,231,747	2,086,367	
Public safety.....	2,334,646	2,003,865	
Civic and human services.....	314,598	267,718	
Public works.....	4,062,603	3,695,331	
Education	21,873,102	20,861,963	
Regulatory	343,793	313,798	
Culture and recreation	1,208,799	1,139,830	
Interest on long-term debt	<u>504,222</u>	<u>557,941</u>	
Total program expenses	<u>32,873,510</u>	<u>30,926,813</u>	
Increase in net assets	<u>\$ 2,922,910</u>	<u>\$ 912,265</u>	

Changes in Net Assets (Continued)



Governmental Activities

Revenues increased from the prior year due to many factors, one of which was an increase in property tax revenues. Property taxes of \$21,315,588 comprised (59.6%) of the total revenues.

Capital grants and contributions increased by \$1,163,512, mostly as a result of donated roads from developers. Also contributing to this increase were grants from the federal government for the High School handicapped accessibility improvement project and the public water system capital project.

Operating grants increased by \$677,586, mostly as a result of an increase in education grants received from the state. The Town also received a grant for a wastewater facilities study.

Expenses for certain functions increased because of the following:

- **General government** - The primary driver for expenses in this function was the increase in health insurance as well as property and casualty insurance premiums.
- **Public Safety** - This function increased as a result of a new staff position as well as the purchase of firefighting equipment.
- **Public Works** - A new staff position and an increase in road maintenance projects were the primary cost drivers.
- **Education** - This function has increased due to contractual obligations, including teachers' salaries and benefits. Rising special education costs also contributed to increased expenses in this function.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$5,704,516 a decrease of \$948,782 in comparison with the prior year. Of this amount, \$4,050,833 constitutes unreserved undesignated fund balance which is available for spending at the Town's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for specific purposes.

General Fund

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unreserved undesignated fund balance of the general fund was \$3,294,342, while total fund balance was \$3,321,999. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and transfers out. Unreserved undesignated fund balance represents 10.8% of total general fund expenditures and transfers out, while total fund balance represents 10.9% of that same amount.

The fund balance of the Town's general fund increased by \$890,434 during the current fiscal year. The key factors in this increase were due to the following:

- Actual revenues in the Town Clerk's department exceeded estimates by \$121,049 primarily due to an increase in fees relating to new and used home sales.
- Actual revenues in the Planning, Zoning and Building department exceeded estimates by \$167,236 primarily due to new residential development.
- Actual revenues in the Tax Collector's department exceeded estimates by \$350,635.
- Actual revenues from the education cost sharing grant exceeded estimates by \$230,641.
- Actual expenditures were \$26,010 less than budgeted.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year there was an increase between the original budget and the final amended budget appropriation of \$330,393. The following are the main components of the increase:

- \$248,462 supplemental appropriation to the Board of Education as a result of the receipt of the special education excess cost grant. The Board of Education budgets for this grant when received.
- \$38,913 supplemental appropriation to the Public Works Department as a result of the receipt of a grant from the Federal Emergency Management Agency. This grant was related to a winter snowstorm.
- \$18,210 supplemental appropriation to the Fire Department that was used as a 10% grant match for a Assistance to Firefighters grant.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental activities as of June 30, 2005 totaled \$40,549,808 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities, construction in progress, and bridges. This amount represents a net increase (including additions and deductions) of \$3,271,011, or 8.8%, over last year.

Major capital asset events during the current fiscal year included the following:

- Land acquisition adjacent to Sears Park (\$313,000).
- Construction in progress related to ADA Improvements at the High School (\$258,000), New Ambulance Facility (\$661,000), Town-wide water system (\$609,000) and improvements to White Birch Road (\$156,000).
- Donation of roads by developers (\$1,150,000) and the completion of Lake Drive road improvements (\$552,000).
- The construction of Sears Park Pavilion (\$291,000).
- The purchase of public works equipment (\$658,000).

**Town of East Hampton, Connecticut
Capital Assets
June 30, 2005 and 2004**

	Governmental Activities	
	<u>2005</u>	<u>2004</u>
Land.....	\$ 1,645,434	\$ 1,302,063
Construction in progress.....	1,970,084	853,335
Buildings.....	32,468,720	32,945,757
Improvements other than buildings.....	6,735	12,853
Machinery and equipment.....	2,382,726	1,874,139
Infrastructure.....	<u>2,076,109</u>	<u>290,650</u>
 Totals.....	 <u>\$40,549,808</u>	 <u>\$37,278,797</u>

Additional information on the Town's capital assets can be found in Note 6 on page 30 of this report.

Long-term Debt

At the end of the current fiscal year, the Town had total bonded debt outstanding of \$11,161,557. The total debt is backed by the full faith and credit of the government.

- The Town's total debt decreased by \$1,789,204 or 13.8% during the current fiscal year. The key factor for this decrease was due to annual debt service payments.

The Town maintains an A2 rating from Moody's Investor Service for general obligation debt.

State statutes limit the amount of general obligation debt the Town may issue to seven times its annual receipts from taxation, as defined by the statutes. The current debt limitation for the Town is \$150 million, which is significantly in excess of the Town's outstanding general obligation debt.

The following table is a two year comparison of long-term debt presented for governmental type activities:

**Town of East Hampton, Connecticut
Long-term Debt
June 30, 2005 and 2004**

	Governmental Activities	
	<u>2005</u>	<u>2004</u>
General obligation bonds.....	<u>\$11,161,557</u>	<u>\$12,950,761</u>

Additional information on the Town's long-term debt can be found in Note 8 on pages 32-34 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

A summary of key economic factors affecting the Town are as follows:

- The Town receives intergovernmental revenues from the State of Connecticut. Connecticut's economy moves in the same general cycle as the national economy, and at this point, the State and nation are in a recovery period which has affected the amount of intergovernmental revenues the Town will receive in fiscal year 2005 and thereafter.
- The unemployment rate for the Town is currently 6.2%, which is a significant increase from the 2004 annual average rate of 5.3% in the prior year. This compares to the state's average unemployment rate of 5.0% and the national unemployment rate of 4.8%.
- The grand list is primarily comprised of residential real property while commercial and industrial real estate make up only 6.9% of the grand list.
- Inflation in the New York, New Jersey, Connecticut and Pennsylvania area (4.5%) continues to be above the national Consumer Price Index (CPI) increase (4.3%).
- The CPI for fuel has increased by 36%. It is anticipated that next years fuel budget will be adjusted to cover the increase.
- The East Hampton public school system continues to grow. The last three years have seen increases of approximately 32 students per year. This has caused a moderate increase in payroll, transportation and benefit costs to meet the demand.
- Residential construction continues to grow with approximately 161 new homes built this year. It is anticipated that overall town services will rise to meet the demand.

All of these factors were considered in preparing the Town's budget for fiscal year 2006.

During the current fiscal year, unreserved fund balance of the general fund increased to \$3,294,342, up 37% from the previous fiscal year. The Town has not appropriated any of this amount for spending in the 2006 fiscal year budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. If you have any questions about this report or need additional information, please contact the Finance Directors Office, Town of East Hampton, 20 East High Street, East Hampton, Connecticut 06424.

TOWN OF EAST HAMPTON, CONNECTICUT

STATEMENT OF NET ASSETS
JUNE 30, 2005

	GOVERNMENTAL ACTIVITIES
ASSETS:	
Cash and cash equivalents.....	\$10,276,995
Investments.....	523,689
Receivables (net).....	5,999,710
Inventories.....	14,841
Prepaid items.....	1,045,636
Deferred charges.....	101,761
Capital assets.....	<u>40,549,808</u>
Total assets.....	<u>58,512,440</u>
LIABILITIES:	
Accounts and other payables.....	1,853,236
Unearned revenue.....	487,945
Bond anticipation notes.....	3,655,000
Noncurrent liabilities:	
Due within one year.....	1,835,936
Due in more than one year.....	<u>10,461,248</u>
Total liabilities.....	<u>18,293,365</u>
NET ASSETS:	
Invested in capital assets, net of related debt.....	29,561,339
Restricted for library:	
Expendable.....	15,500
Nonexpendable.....	1,572
Unrestricted.....	<u>10,640,664</u>
Total net assets.....	<u>\$40,219,075</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF EAST HAMPTON, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	PROGRAM REVENUES OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN ..NET ASSETS...
Governmental activities:					
General government.....	\$ 2,231,747	\$ 465,823	\$ 7,000		\$ (1,758,924)
Public safety.....	2,334,646	51,237	160,722		(2,122,687)
Civic and human services.....	314,598	15,099			(299,499)
Public works and utilities.....	4,062,603	1,607,621	436,174	\$1,850,348	(168,460)
Education.....	21,873,102	475,082	7,849,696		(13,548,324)
Regulatory.....	343,793	366,787			22,994
Culture and recreation.....	1,208,799	293,230	49,254		(866,315)
Interest on long-term debt.....	504,222		131,551		(372,671)
	<u>\$32,873,510</u>	<u>\$3,274,879</u>	<u>\$8,634,397</u>	<u>\$1,850,348</u>	<u>(19,113,886)</u>

General revenues:

Property taxes, levied for general purposes	21,315,588
Grants and contributions not restricted to specific programs	460,453
Unrestricted investment earnings	260,755
Total general revenues	22,036,796
Change in net assets	2,922,910
Net assets, July 1, 2004	37,296,165
Net assets, June 30, 2005	\$ 40,219,075

The accompanying notes are an integral part of these financial statements.

TOWN OF EAST HAMPTON, CONNECTICUT

GOVERNMENTAL FUNDS

BALANCE SHEET
JUNE 30, 2005

	GENERAL	CAPITAL INITIATIVES	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
A S S E T S				
Cash and cash equivalents	\$4,428,644	\$1,632,965	\$4,215,386	\$10,276,995
Investments			523,689	523,689
Receivables (net)	4,856,455	106,997	1,036,258	5,999,710
Due from other funds			92,577	92,577
Inventories			14,841	14,841
TOTAL	\$9,285,099	\$1,739,962	\$5,882,751	\$16,907,812
L I A B I L I T I E S				
A N D				
F U N D B A L A N C E S				
Liabilities:				
Accounts and other payables	\$ 861,878	\$ 456,933	\$ 396,162	\$ 1,714,973
Due to other funds	73,996	18,581		92,577
Deferred revenue	5,027,226		677,520	5,704,746
Bond anticipation notes payable		2,941,000	714,000	3,655,000
Total liabilities	5,963,100	3,416,514	1,787,682	11,167,296
Fund balances (deficit):				
Reserved	27,657	964,367	697,659	1,689,683
Unreserved, reported:				
General Fund	3,294,342			3,294,342
Special Revenue Funds			3,958,827	3,958,827
Capital Project Funds		(2,640,919)	(562,989)	(3,203,908)
Permanent Funds			1,572	1,572
Total fund balances	3,321,999	(1,676,552)	4,095,069	5,740,516
TOTAL	\$9,285,099	\$ 1,739,962	\$5,882,751	

Amounts reported for governmental activities in the statement of net assets are different because:
 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.....
 Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....
 Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.....

Net assets of governmental activities..... \$ 40,219,075

The accompanying notes are an integral part of these financial statements.

TOWN OF EAST HAMPTON, CONNECTICUT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2005

	GENERAL	CAPITAL INITIATIVES	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:				
Property taxes	\$21,422,097		\$ 145,110	\$21,422,097
Assessments			1,444,147	145,110
Intergovernmental	8,759,065	\$ 237,358	2,274,353	10,440,570
Charges for services			90,453	2,274,353
Contributions and donations	953,342		96,027	90,453
Licenses, permits and fees	133,704	33,510	93,541	1,049,369
Income from investments	90,142	800	4,442	260,755
Miscellaneous				95,384
Total revenues	31,358,350	271,668	4,148,073	35,778,091
Expenditures:				
Current:				
General government	2,655,795		196,924	2,852,719
Public safety	1,732,598		243,242	1,975,840
Public works and utilities	1,502,082		2,251,302	3,753,384
Culture and recreation	763,823		559,001	1,322,824
Civic and human services	238,057		45,587	283,644
Regulatory	283,927			283,927
Education	20,327,677	1,957,591	1,068,513	21,396,190
Capital outlay	2,186,922		633,199	2,590,790
Debt service			80,633	2,267,555
Total expenditures	29,690,881	1,957,591	5,078,401	36,726,873
Excess (deficiency) of revenues over expenditures	1,667,469	(1,685,923)	(930,328)	(948,782)
Other financing sources (uses):				
Transfers in	25,675		802,710	828,385
Transfers out	(802,710)		(25,675)	(828,385)
Total other financing sources (uses)	(777,035)		777,035	
Net change in fund balances	890,434	(1,685,923)	(153,293)	(948,782)
Fund balances, July 1, 2004	2,431,565	9,371	4,248,362	
Fund balances (deficit), June 30, 2005	\$ 3,321,999	\$(1,676,552)	\$4,095,069	

Amounts reported for governmental activities in the statement of activities (Exhibit II) are different because: 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 as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period. In the statement of activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by cost of the asset sold. This is the loss on the disposal of assets. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the by the funds. Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments. 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.

Change in net assets of governmental activities (Exhibit II) \$ 2,922,910

The accompanying notes are an integral part of these financial statements.

TOWN OF EAST HAMPTON, CONNECTICUT

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2005

	PENSION TRUST FUND	AGENCY FUNDS
ASSETS:		
Cash and cash equivalents		\$329,380
Investments	\$14,195,626	545,016
Contributions receivable - plan members	11,610	
Contributions receivable - employer	32,600	
Total assets	14,239,836	<u>\$874,396</u>
LIABILITIES:		
Due to students and others		<u>\$874,396</u>
NET ASSETS:		
Held in trust for pension benefits	<u>\$14,239,836</u>	

The accompanying notes are an integral part of these financial statements.

TOWN OF EAST HAMPTON, CONNECTICUTFIDUCIARY FUNDSSTATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2005

Additions:	
Contributions:	
Employer.....	\$ 551,929
Plan members.....	<u>317,138</u>
Total contributions.....	869,067
Investment income:	
Net appreciation in fair value of investments... \$	875,031
Interest.....	<u>336,952</u>
Total.....	1,211,983
Less: investment expense.....	<u>(91,568)</u>
Net investment earnings.....	<u>1,120,415</u>
Total additions.....	1,989,482
Deductions:	
Benefit payments.....	480,366
Administrative expenses.....	<u>48,153</u>
Total deductions.....	<u>528,519</u>
Net increase.....	1,460,963
Net assets held in trust for pension benefits, July 1, 2004.....	<u>12,778,873</u>
Net assets held in trust for pension benefits, June 30, 2005.....	<u>\$14,239,836</u>

The accompanying notes are an integral part
of these financial statements.

TOWN OF EAST HAMPTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of East Hampton, Connecticut (the "Town") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the Town are described below.

A. Reporting Entity

The Town operates under a Charter which became effective in November 1973 and was revised in November 1987. The form of government includes an elected seven member Town Council which elects a chairman, an elected nine member Board of Education, and an elected seven member Board of Finance.

The legislative power of the Town is vested with the Town Council and the Town Meeting. The Town Council may enact, amend or repeal ordinances and resolutions. The administration of Town offices and agencies, with the exception of the Board of Education, is the responsibility of the Town Manager, who is appointed by the Town Council.

The Board of Finance is responsible for financial and taxation matters as prescribed by Connecticut General Statutes, and is responsible for presenting fiscal operating budgets to the Town Council for Town Meeting approval.

The Town has the power to incur indebtedness by issuing bonds or notes as provided by the Connecticut General Statutes.

There are no component units included in the Town's reporting entity because there are no other entities for which the Town is considered financially accountable.

Related Organization

The Town is responsible for appointing members to the board of directors of the Housing Authority (the "Authority") of the Town, but the Town's accountability for the Authority does not extend beyond making the appointments.

Jointly Governed Organization

The Town appoints one of five representatives that serve on the Board of Directors of Chatham Health District (the "District"). The District was formed in June 2002 as a cooperative effort to create a regional, full-time professional health department for the member Towns consisting of East Hampton, Marlborough, East Haddam, Hebron and Portland (2005). Payments made to the District by the Town for the year ended June 30, 2005 totaled \$91,480.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements.

The statement of net assets presents the Town's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt - This category consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of capital assets.

Restricted net assets - This category consists of net assets whose use is restricted either through external restrictions imposed by creditors, grantors, contributors, and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets - This category consists of net assets which do not meet the definition of the two preceding categories.

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

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 funds are reported as separate columns in the fund financial statements.

The various funds included in the financial statements are described below:

Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed.

General Fund - the primary operating fund of the Town. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state and federal grants, licenses, permits, charges for service, and interest income.

Special Revenue Funds - account for revenue derived from specific sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities.

Capital Project Funds - account for all financial resources used for the acquisition or construction of major capital facilities not being financed by proprietary funds.

Permanent Funds - These funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town's programs.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, and other governments. Fiduciary funds are not included in the government-wide statements. The fiduciary funds are as follows:

Pension Trust Fund - accounts for the East Hampton Employee Retirement System, a defined benefit plan for qualified employees.

Agency Funds - are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation. The Board of Education Student Activity Fund, Developer Bond Fund and the Volunteer Fireman Award Fund are the Town's agency funds.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, charges for services, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received.

The Town reports the following major governmental fund:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.

The Capital Initiatives Fund is used to account for various capital projects and equipment purchases.

Additionally, the Town reports the following fund types:

The Pension Trust Funds account for the activities of the East Hampton Employees Retirement System, which accumulates resources for pension benefit payments to qualified Town employees.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between certain Town's functions because the elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include property taxes.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and certain other investments as described in Note 4.

Investments for the Town are reported at fair value.

E. Donor-restricted Endowments

The Town has received certain endowments for library operations purposes. The amounts are reflected in net assets as restricted for the library. Investment income (including appreciation) is approved for expenditure by the Library Director.

The Town allocates investment income of donor-restricted endowments in accordance with donor restrictions and Connecticut law, which has adopted the provisions of the Uniform Management of Institutional Funds Act (UMIF A). Under UMIF A, investment income earned on donor-restricted endowment funds is considered to be unrestricted in the absence of explicit donor restrictions. Further, in the absence of explicit donor restrictions regarding investment appreciation, such appreciation is treated the same as the related investment income. Investment losses that reduce the value of endowment investments below the original principal amount serve to reduce restricted net assets or unrestricted net assets, depending upon the applicable donor's stipulations regarding the treatment of investment income and appreciation.

Net appreciation of donor-restricted endowments available for expenditure by the Town totaled \$15,500 as of June 30, 2005 and is included in restricted net assets

F. Receivables and Payables

Activity between funds that are representative of lending borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as "internal balances". All trade and property tax receivables are shown net of an allowance for uncollectibles.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. No allowance for doubtful receivables has been recognized by the Town.

Property taxes are assessed as of October 1 and are levied on the following July 1. Assessed values are established by the Town Assessor's Office at seventy percent of appraised value.

Real estate and personal property taxes are due in two installments, July 1 and the following January 1. Motor vehicle taxes are payable on July 1 and supplemental motor vehicle taxes are payable on January 1. Taxes become delinquent thirty days after the installment is due and liens are filed on delinquent real estate taxes within one year. Interest is charged on delinquent taxes at the rate of 1.5% per month (18% per year).

All property taxes receivable at June 30, 2005, which have not been collected within 60 days of June 30, have been recorded as deferred revenue in the fund financial statements, since they are not considered to be available to finance expenditures of the current fiscal year. Taxes collected during the 60 day period have been recorded as revenue in the fund financial statements. Based on historical collection experience and other factors, the Town has established an allowance for uncollectible taxes of \$30,000 as of June 30, 2005.

G. Inventories and Prepaid Items

Inventories are reported at cost using the first-in first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories of U.S. Department of Agriculture (USDA) food products of the School Cafeteria Fund (a Nonmajor Special Revenue Fund) are valued at amounts assigned by the USDA.

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

H. 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 activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 for equipment, \$20,000 for improvements, and \$100,000 for infrastructure, and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20–50
Improvements other than buildings	20
Infrastructure.....	20–50
Machinery and equipment	3–20

I. Compensated Absences

The Town allows employees to accumulate earned but unused vacation and sick pay benefits. The rate that these benefits are earned and accumulate varies by bargaining unit. Upon severance from employment with the Town, employees are paid by a prescribed formula for these accrued absences. All compensated absences are accrued when incurred in the government-wide financial statements. Expenditures for compensated absences are recognized in the governmental fund financial statements in the current year to the extent they are paid during the year, or the vested amount is expected to be paid with available resources. Accumulated vacation and sick pay earned and not paid as of June 30, 2005 is \$1,308,715.

J. Long-Term Obligations

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

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

K. Fund Equity

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

L. Use of Estimates

The preparation of the 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 and disclosures in the financial statements. Actual results could differ from those estimates.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds”. The details of this \$12,435,447 difference are as follows:

Bonds and notes payable	\$(11,161,557)
Less: Deferred charge on refunding (to be amortized as interest expense).....	247,675
Unamortized bond premiums.....	(74,587)
Accrued interest payable	(138,263)
Compensated absences	<u>(1,308,715)</u>
 Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	 <u><u>\$(12,435,447)</u></u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “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”. The details of this \$2,120,873 difference are as follows:

Capital outlay.....	\$ 3,302,482
Depreciation expense.....	<u>(1,181,609)</u>
 Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	 <u><u>\$ 2,120,873</u></u>

Another element of that reconciliation states that “some revenues in the statement of activities do not provide current financial resources and are not reported as revenue in the governmental funds”. The details of this \$21,645 difference are as follows:

Property taxes.....	\$ (84,844)
Accrued interest	(21,664)
Housing loans.....	(68,037)
School building grants.....	(872,210)
Assessments	(103,298)
Sewer use	(11,728)
Contributions from developers.....	1,180,110
Net pension asset change	<u>(39,974)</u>
 Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	 <u><u>\$ (21,645)</u></u>

Another element of that reconciliation states that “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”. The details of this \$13,232 difference are as follows:

Compensated absences.....	\$(35,239)
Termination benefits	74,342
Accrued interest	1,706
Amortization of deferred charge on refunding.....	(25,403)
Amortization of issuance costs	(9,824)
Amortization of bond premium.....	<u>7,650</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 13,232</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities”. The details of this \$1,789,204 difference are as follows:

Principal repayments:	
General obligation debt.....	\$1,725,000
Clean water notes.....	<u>64,204</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$1,789,204</u>

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The Town Council submits to the Board of Finance a policy statement outlining its annual budget goals and objectives for the ensuing fiscal year. The Town Manager compiles preliminary estimates for all departments and agencies, with the exception of the Board of Education, for the annual budget for presentation to the Board of Finance. The Board of Education submits its estimates directly to the Board of Finance. The Board of Finance compiles a total budget based upon the Town Council’s policy statement and the financial availability of Town funds, holds one or more public hearings on its proposal, and presents a recommended budget to the Town Council no later than April 15. After making alterations or reductions, as they deem necessary, the Council submits its proposed budget to the Town Meeting for approval.

The Board of Finance reviews and makes recommendations regarding all requests for additional appropriations to be submitted to the Council. Additional appropriations from fund balance, which exceed \$25,000, must be approved by Town Meeting. Additional appropriations from fund balance below \$25,000, as well as additional appropriations from revised revenue, must be approved by Town Council.

Additional appropriations for the year ended June 30, 2005 amounted to \$330,393 of which \$302,183 was from revised revenue and \$28,210 from fund balance.

Formal budgetary integration is employed as a management control device during the year. The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the department level.

Budgeted amounts shown are as originally adopted, or as revised by the Town Council and Board of Finance during the course of the year.

The Board of Education is authorized under State law to make any transfers required within their budget at their discretion.

Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year end are reported in budgetary reports as expenditures in the current year. Generally, all unencumbered appropriations lapse at year end, except those for the Capital Projects Funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

The Town does not budget for revenue or expenditures associated with pension contributions made by the State of Connecticut on behalf of East Hampton teachers (see Note 12). The payment made by the State of Connecticut for the current year was \$592,669.

B. Deficit Fund Equity

Fund Deficits

The following funds had deficit fund balances as of June 30, 2005, which did not constitute a violation of statutory provisions:

<u>Fund</u>	<u>Amount</u>
Capital Initiatives Fund (Major Fund).....	\$1,676,552
Public Water System Fund (Nonmajor Governmental Fund).....	\$649,656

The deficits will be funded by grants and long-term debt.

4. CASH, CASH EQUIVALENTS AND INVESTMENTS

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be made in a “qualified public depository” as defined by Statute, or, in amounts not exceeding the Federal Deposit Insurance Corporation insurance limit in an “out of state bank”, as defined by the Statutes, which is not a “qualified public depository”.

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: (1) obligations of the United States and its agencies; (2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and (3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds does not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF) and the State Tax Exempt Proceeds Fund (TEPF). These investment pools are under the control of the State Treasurer, with oversight provided by the Treasurer’s Cash Management Advisory Board, and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain a market-average rate of return throughout budgetary and economic cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

A. Cash and Cash Equivalents

The following is a summary of cash and cash equivalents at June 30, 2005:

Deposits:	
Demand accounts	\$ 4,955,155
Certificates of deposit	15,915
Money market accounts	<u>2,382,400</u>
 Total deposits	 7,353,470
Petty cash.....	1,875
Cash equivalents:	
State Short-Term Investment Fund (STIF)	309,731
MBIA, Inc. – Cooperative Liquid Assets Securities System (CLASS).....	<u>2,941,299</u>
 TOTAL CASH AND CASH EQUIVALENTS	 <u>\$10,606,375</u>

Deposits

At June 30, 2005 the carrying amount of the Town deposits was \$7,353,470, which includes total deposits of \$7,216,620 net of overdrafts of \$136,850, and the bank balance was \$7,638,286.

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 does not have a deposit policy for custodial credit risk. Of the June 30, 2005 bank balance, \$400,000 was covered by Federal Depository Insurance. Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with Federal law) in an amount equal to a defined percentage of its public deposits based upon the depository’s risk based capital ratio. A minimum of \$763,829 based on June 30, 2005 deposits, was collateralized (collateral held by the pledging bank’s trust department is not in the Town’s name). The balance of deposits of \$6,474,457 was uninsured and uncollateralized.

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2005 the Town’s cash equivalents amounted to \$3,251,030. The following table provides a summary of the Town’s cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations.

	<u>Standard and Poor’s</u>	<u>Moody’s Investor Service</u>	<u>Fitch Ratings</u>
State Short-Term Investment Fund (STIF).....	AAAm		
MBIA, Inc. – Cooperative Liquid Assets Securities System (CLASS).....	AA	Aaa	AAA

B. Investments

Investments as of June 30, 2005 in all funds are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Interest Bearing Investments:		
U.S. government obligations.....	\$ 230,787	4.67
U.S. government bond funds.....	123,029	5.96
Corporate bonds.....	109,690	4.48
Corporate bond funds.....	4,246,598	5.76
Other Investments:		
Common stock.....	147,849	
Mutual funds.....	421,987	
Pension Fund mutual funds.....	<u>9,984,391</u>	
TOTAL.....	<u>\$15,264,331</u>	

Portfolio weighted average maturity for interest bearing investments..... 5.68

* Subject to coverage by Federal Depository Insurance and collateralization under as described under “Deposits” above.

Interest Rate Risk – The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Investments - As indicated above, State Statutes limit the investment options of cities and towns. The Town has no investment policy that would further limit its investment choices. The following table provides a summary of the Town’s investments (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations.

**Standard
and Poor's**

Corporate bonds	AAA
Prudential Financial , Inc. – Corporate bond fund*	
Wachovia Securities – Corporate bond fund*	

*Not rated.

Concentration of Credit Risk –The Town does not have an investment policy that defines the maximum percent of the Town’s total investments that investments in one issuer may make up.

Custodial Credit Risk – Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the Town or that sells investments to or buys them for the Town), the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2005, the Town had uninsured and unregistered securities held by the counterparty, or by its trust department or agent of \$488,326 that were not in the Town’s name.

5. RECEIVABLES

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

	<u>General Fund</u>	<u>Capital Initiatives Fund</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:				
Interest	\$ 42,277			\$ 42,277
Property taxes	237,890			237,890
Use charges and assessments.....			\$ 257,777	257,777
Intergovernmental.....	4,592,135	\$106,997	479,163	5,178,295
Housing loans			332,047	332,047
Pension contributions			44,210	44,210
Other	14,153		17,078	31,231
	<hr/>			
Gross receivables.....	4,886,455	106,997	1,130,275	6,123,727
Less: allowance for uncollectibles.....	(30,000)		(49,807)	(79,807)
	<hr/>			
Net total receivables	<u>\$4,856,455</u>	<u>\$106,997</u>	<u>\$1,080,468</u>	<u>\$6,043,920</u>

The allowances for uncollectibles are \$30,000 for General Fund property taxes and \$49,807 for Small Cities Loans.

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

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable.....	\$ 177,018	
Accrued interest on delinquent property tax.....	42,277	
Property taxes collected in advance		\$143,788
Sewer assessments not yet due.....	238,600	
Delinquent sewer and water use fee.....	19,178	
Grant drawdowns prior to meeting all eligibility requirements.		314,469
School building grants.....	4,457,488	
Housing loans.....	282,240	
Program activities.....		<u>29,688</u>
Total deferred/unearned revenue for governmental funds.....	<u>\$5,216,801</u>	<u>\$487,945</u>

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land.....	\$ 1,302,063	\$ 343,371		\$ 1,645,434
Construction in progress.....	853,335	2,083,758	\$(967,009)	1,970,084
Total capital assets, not being depreciated	<u>2,155,398</u>	<u>2,427,129</u>	<u>(967,009)</u>	<u>3,615,518</u>
Capital assets, being depreciated:				
Buildings.....	47,789,263	402,640	(40,000)	48,151,903
Improvements other than buildings	61,795			61,795
Machinery and equipment	5,363,491	793,483	(126,462)	6,030,512
Infrastructure	298,376	1,826,349		2,124,725
Total capital assets being depreciated	<u>53,512,925</u>	<u>3,022,472</u>	<u>(166,462)</u>	<u>56,368,935</u>
Less accumulated depreciation for:				
Buildings.....	(14,843,506)	(858,397)	18,720	(15,683,183)
Improvements other than buildings	(48,942)	(6,118)		(55,060)
Machinery and equipment	(3,489,352)	(276,204)	117,770	(3,647,786)
Infrastructure	(7,726)	(40,890)		(48,616)
Total accumulated depreciation.....	<u>(18,389,526)</u>	<u>(1,181,609)</u>	<u>136,490</u>	<u>(19,434,645)</u>
Total capital assets, being depreciated, net	<u>35,123,399</u>	<u>1,840,863</u>	<u>(29,972)</u>	<u>36,934,290</u>
Governmental activities capital assets, net	<u>\$ 37,278,797</u>	<u>\$ 4,267,992</u>	<u>\$(996,981)</u>	<u>\$ 40,549,808</u>

The Town has not fully implemented the provisions of GASB Statement No. 34 related to recording infrastructure assets prior to July 1, 2002 implementation date of the standard. The Town implemented the prospective reporting provisions of the standard for all infrastructure assets after the July 1, 2002 implementation date.

Depreciation and amortization expense was charged to functions/programs as follows:

Governmental activities:

General government	\$ 14,522
Public safety	96,102
Public works and utilities	438,735
Civic and human services	1,103
Culture and recreation	54,220
Education	<u>576,927</u>
 Total depreciation and amortization expense - governmental activities	 <u>\$1,181,609</u>

Capital Projects

A summary of project authorizations for the Town's Capital Projects in process, at June 30, 2005 is as follows:

	<u>Project Authorization</u>	..Project Expenditures..			
		<u>2004/2005</u>	<u>Cumulative</u>	<u>Encumbrances</u>	<u>Balance</u>
Capital Initiatives Fund.....	\$3,425,179	\$1,957,591	\$1,965,192	\$ 964,367	\$495,620
Public Water System Fund..	1,541,770	608,791	799,913	403,986	395,927
 TOTAL	 <u>\$4,966,949</u>	 <u>\$2,566,382</u>	 <u>\$2,765,105</u>	 <u>\$1,368,353</u>	 <u>\$891,547</u>

7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At June 30, 2005 the interfund receivables and payables are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to/from other funds:		
Major Funds:		
Nonmajor Governmental Funds ...	General Fund	\$73,996
Nonmajor Governmental Funds ...	Capital Initiatives Fund.....	<u>18,581</u>
	 TOTAL.....	 <u>\$92,577</u>
Advances to/from other funds:		
Nonmajor and Other Funds:		
WPCA Development Fund.....	Public Water System Fund	<u>\$150,000</u>

The above interfund balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur and payments between funds are made.

Interfund transfers for the year ended June 30, 2005 consisted of the following:

	.....Transfer In.....		
	<u>General Fund</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Transfer out:			
General Fund.....		\$802,710	\$802,710
Nonmajor Governmental funds.....	\$25,675		25,675
	<hr/>		
TOTAL	\$25,675	\$802,710	\$828,385
	<hr/>		

Transfers are used to account for the financing by the General Fund and other major funds of various program and activities in other funds.

8. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds and notes payable:					
General obligation bonds					
and notes.....	\$12,950,761		\$(1,789,204)	\$11,161,557	\$1,770,500
Unamortized amounts:					
Deferred charge on					
refunding	(273,078)		25,403	(247,675)	
Bond premium.....	82,237		(7,650)	74,587	
	<hr/>				
Total bonds payable .	12,759,920		1,771,451	10,988,469	1,770,500
Other liabilities:					
Compensated absences.....	1,273,476	\$511,420	476,181	1,308,715	65,436
Early retirement incentive	74,342		74,342		
	<hr/>				
TOTAL	\$14,107,738	\$511,420	\$ 2,321,974	\$12,297,184	\$1,835,936
	<hr/>				

General purpose and school related long-term liabilities have typically been liquidated by the General Fund. The Beneficial Assessment fund and WPCA Joint Facilities funds are responsible for certain sewer related liabilities.

General Obligation Bonds and Notes

A summary of outstanding general obligation bonds and notes payable is as follows:

<u>Description</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate (%)</u>	<u>Amount of Original Issue</u>	<u>Balance Outstanding June 30, 2005</u>
General obligation bonds:					
General purpose refunding bonds	06-15-99	10-15-10	3.75-4.6	\$10,100,000	\$ 4,610,000
General obligation bonds.....	08-15-02	08-15-17	3.00-4.125	\$2,345,000	2,020,000
School bonds	06-15-93	06-15-06	2.25-5.2	\$4,660,000	315,000
General purpose refunding bonds	04-01-03	07-15-14	3.375-4.10	\$4,005,000	3,430,000
Clean water notes payable:					
Sewer 480-C	06-30-02	12-31-21	2.0	\$503,694	425,431
Sewer	03-31-94	03-31-13	2.0	\$837,030	<u>361,126</u>
TOTAL.....					<u>\$11,161,557</u>

The maturity schedule for bond and note indebtedness is as follows:

<u>Year Ending June 30,</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Amount to be Provided by State for Principal</u>	<u>Amount to be Provided by the State for Interest</u>
2006.....	\$ 1,770,500	\$ 398,710	\$ 860,564	\$110,536
2007.....	1,441,822	328,401	656,280	89,174
2008.....	1,428,172	273,989	659,204	74,078
2009.....	1,419,547	219,038	650,664	58,452
2010.....	1,405,951	163,565	1,630,776	111,424
2011-2015.....	3,136,068	340,915		
2016-2020.....	514,770	34,522		
2021-2022.....	44,727	712		
TOTAL	<u>\$11,161,557</u>	<u>\$1,759,852</u>	<u>\$4,457,488</u>	<u>\$443,664</u>

School Bond Reimbursement

The State of Connecticut reimburses the Town for eligible school bond principal and interest costs. The amount of reimbursement for the year ended June 30, 2005 was \$1,003,761. Additional reimbursements of principal and interest aggregating approximately \$4,901,152 are expected to be received through the applicable bonds' maturity dates.

Advance Refunding

In prior years, the Town has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Town's financial statements. At June 30, 2005, \$5,625,000 of general obligation bonds are considered defeased.

Authorized/Unissued Bonds

The amount of authorized, unissued bonds for general purposes at June 30, 2005 is as follows:

<u>Purpose of Bonds</u>	Authorized But Unissued
Governmental Activities:	
Ambulance Facility	\$700,000
High School Athletic Facilities Improvements	\$2,000
Water System Initial Water Supply Plan.....	\$714,000
Capital Improvements 2004-2005	\$1,401,000
Land Purchase	\$325,000
Fire Rescue Truck	\$515,000

Early Retirement Incentive

During fiscal year 2000 the Board of Education offered an early retirement package to retired teachers who met certain criteria. Under the terms of the agreement the teachers would be paid based on a prescribed formula over five years with payments beginning in 2001 and ending in 2005. The original cost of the proposal amounted to \$341,861.

The payment for the early retirement incentive program totaled \$72,342 for the year ended June 30, 2005. These payments are funded on an annual basis by General Fund appropriations. There are no remaining payments to be made to participants in the early retirement incentive program at June 30, 2005.

The Town's indebtedness does not exceed the legal debt limitations as established by Connecticut General Statutes as reflected in the following schedule:

<u>Category</u>	<u>Debt Limit</u>	(thousands) <u>Indebtedness</u>	<u>Balance</u>
General purpose	\$48,287	\$4,961	\$43,326
Schools.....	\$96,574	\$3,900	\$92,674
Sewers.....	\$80,479	\$787	\$79,692
Urban renewal.....	\$69,748		\$69,748
Pension deficit.....	\$64,383		\$64,383

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation (\$150 million).

The indebtedness reflected above includes long-term debt outstanding and \$2.9 million of bonds authorized and unissued against which bond anticipation notes are issued and outstanding.

School indebtedness is net of \$4.5 million of State of Connecticut school building grant commitments. Bonds authorized unissued of \$.7 million are for water projects and are not included.

9. BOND ANTICIPATION NOTES

The following is a schedule of activity for the year:

<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate(%)</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2005</u>
08/06/04	05/05/05	1.53	\$2,100,000	\$2,100,000	
05/05/05	02/01/06	2.55	\$3,655,000		\$3,655,000

The bond anticipation notes relate to the following projects:

Public Works.....	\$761,000
School Water.....	\$514,098
School Alarm	\$125,902
Ambulance	\$700,000
Rescue Truck	\$515,000
Water System	\$714,000
Sears Park Land	\$325,000

10. FUND BALANCE – RESERVATIONS

Descriptions of the various reservations of the Town’s governmental funds, fund balance accounts are as follows:

Reserved for Inventory – to segregate a portion of fund balance equal to the inventory.

Reserved for Encumbrances – to segregate a portion of fund balance for expenditure upon vendor performance.

Reserved – Trust Purposes – to segregate a portion of fund balance which is nonexpendable.

A summary of reserved fund balances at June 30, 2005 is presented below:

General Fund:	
Reserved for Encumbrances.....	\$ 27,657
Nonmajor Governmental Funds:	
Reserved for Inventory	14,841
Reserved for Encumbrances.....	667,318
Reserved Trust Principal – Permanent Funds	15,500
Capital Initiatives Fund:	
Reserved for Encumbrances.....	964,367
Total governmental funds.....	<u>\$1,689,683</u>

11. RISK MANAGEMENT

The Town is exposed to various risks of loss related to public official liability, police liability, Board of Education legal liability, theft or impairment of assets, errors and omissions, injury to employees and natural disasters. The Town purchases commercial insurance for all risks of loss, including blanket and umbrella policies. Settled claims have not exceeded commercial coverage in any of the past three fiscal years, and there has not been any significant reductions in insurance coverage from amounts held in prior year.

12. PENSION PLANS

A. Plan Description

The Town of East Hampton is the administrator of a single-employer Public Employee Retirement System (PERS) established and administered by the Town to provide pension benefits for its employees. The Plan does not issue stand-alone financial statements and is considered to be part of the Town of East Hampton’s financial reporting entity. As such the plan is accounted for in the fiduciary fund financial statements as pension trust fund.

The Town of East Hampton Retirement System covers all employees working more than twenty (20) hours a week except teachers covered under the State of Connecticut Teachers’ Retirement System. The Town provides all retirement benefits through a single employer, contributory, defined benefit plan. All employees are 100% vested after 10 years of continuous service. Employees who retire at normal retirement, for police the earlier of age 55 with 10 years of service or 20 years of service, for all others age 62, with 5 years service receive a retirement benefit.

The benefit formula is as follows:

For Police, 2.5% of Final Earnings times Credited Service; for all other participants effective January 1, 2001 2.25% of Final Earnings multiplied by Credited Service.

The minimum retirement benefit for all participants will be \$1,200 at Normal Retirement Date.

The membership of the plan consisted of the following as of January 1, 2004, the date of the latest actuarial valuation:

Retirees and beneficiaries currently receiving benefits.....	53
Terminated Plan members entitled to benefits but not yet receiving them	70
Current Plan members.....	154
Inactive with vested benefits.....	<u>3</u>
TOTAL	<u>280</u>

B. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting: PERS’ financial statements are prepared using the accrual basis of accounting. Employee and plan member contributions are recognized as revenues in the period in which employee services are performed. Benefit payments and refunds are payable when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments: All funds are invested and administered through an Investor Contract with CIGNA Retirement and Investment Services and are reported at fair value. There were no securities representing five percent or more of the Plan’s net assets.

C. Funding Policy

Police employees contribute 5% of earnings; all other employees are required to contribute 5.50% of earnings to the PERS. The Town is required to contribute the amounts necessary to finance the benefits for its employees in accordance with actuarial recommendations. Benefits are fixed by contract. Benefits and contribution requirements may be amended by the Town Council subject to union ratification.

D. Annual Pension Cost and Net Pension Obligations

The Town's annual pension cost and net pension obligation for the year ended June 30, 2005 were as follows:

Annual required contribution.....	\$ 551,929
Interest on net pension obligation.....	(86,849)
Adjustment to annual required contribution	<u>126,824</u>
Annual pension cost.....	591,904
Contributions made.....	<u>551,929</u>
Increase in net pension obligation	39,975
Net pension obligation (asset), July 1, 2004.....	<u>(1,085,611)</u>
Net pension obligation (asset), June 30, 2005	<u><u>\$(1,045,636)</u></u>

The annual required contribution for the current year was determined as part of the January 1, 2004 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return (b) 5% projected salary increases, and (c) expenses averaging 5% of benefits payable over future years. Both (a) and (b) included an inflation component of 3.5%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized utilizing a level dollar open basis over 15 years constant.

E. Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
6/30/03	\$445,920	\$484,936	108.7%	\$(1,162,617)
6/30/04	576,682	499,675	86.6	(1,085,611)
6/30/05	591,904	551,929	93.2	(1,045,636)

Information in this table has been restated as of June 30, 2004.

F. Pension Plan Required Supplementary Information

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) (b)</u>	<u>(Over)/Under Funded AAL (a-b)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>(Over)/Under Funded AAL as a % of Covered Payroll ((a-b)/c)</u>
1/01/2000	\$ 9,658,656	\$ 9,105,558	\$(553,098)	106.1%	\$3,940,831	(14.0)%
1/01/2002	11,708,157	11,541,836	(166,321)	101.4	4,407,603	(3.8)
1/01/2004	13,303,561	14,282,705	979,144	93.14	5,569,262	17.58

Schedule of Employer Contributions

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
1999	\$381,450	100%
2000	308,775	145
2001	347,399	124
2002	364,757	127
2003	404,546	120
2004	533,871	94
2005	551,929	100

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated.

Connecticut State Teachers' Retirement System

The faculty and professional personnel of the Board of Education participate in a contributory defined benefit plan, established under Chapter 167a of the Connecticut General Statutes, which is administered by the Connecticut State Teachers' Retirement Board.

Certain part-time and full-time certified teachers are eligible to participate in the plan and are required to contribute 7.25% of their annual earnings to the plan. The Town does not and is not legally responsible to contribute to the plan. After five years of service, teachers are fully vested in their own contributions. After ten years of service, teachers are fully vested in the monthly pension benefit which is payable at the age of sixty. The State of Connecticut contributes based on actuarially determined amounts. The funding level was determined based on an actuarial valuation of the plan as a whole, which does not provide actuarial information on an individual town basis. For the year ended June 30, 2005, Town teachers contributed \$706,956 to the plan and covered payroll for the year was \$9,751,117.

In accordance with the provisions of GASB Statement No. 24, the Town has reported "on behalf" payments of \$592,669 made by the State of Connecticut into the plan as intergovernmental revenues, and related expenditures of the General Fund in the accompanying statement of revenues, expenditures and changes in fund balances of the governmental funds.

13. COMMITMENTS AND CONTINGENCIES

Intermunicipal Agreement

The Town is party to an intermunicipal agreement for septage waste disposal. The Town of East Hampton has agreed to accept septage from five area towns. East Hampton originally borrowed \$837,030 from the State of Connecticut Clean Water Fund to finance improvements to its plant to accommodate septage from the other towns. During fiscal year 2002 the Town of East Hampton borrowed an additional \$503,694 for a nitrogen reduction project. Each town is committed to paying a portion of the cost of improvements over the next twenty years. Additionally, operating costs and a utilization fee will also be charged.

Federal and State Grants

The Town has received Federal and State grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under the terms of the grant. Based on prior experience, Town management believes such disallowances, if any, will not be material.

Litigation

The Town of East Hampton, its officers, employees, boards and commissions are defendants in a number of lawsuits. It is the opinion of Town officials, as well as the Town attorney, that such pending litigation will not be finally determined so as to result individually or in the aggregate in a final judgment against the Town which would have a material adverse affect on its financial position.

TOWN OF EAST HAMPTON, CONNECTICUT

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2005

	..... BUDGETED AMOUNTS.....		VARIANCE
	ORIGINAL	FINAL	FAVORABLE (UNFAVORABLE)
<u>PROPERTY TAXES</u>			
Current taxes	\$20,428,062	\$20,428,062	\$ 257,180
Back taxes.....	245,000	245,000	37,237
Supplemental motor vehicle.....	240,000	240,000	40,113
Interest.....	155,000	155,000	16,418
Liens.....	3,400	3,400	(313)
Total property taxes	21,071,462	21,071,462	350,635

INTERGOVERNMENTAL REVENUES

General government:			
State infrastructure (LOCIP)	87,729	87,729	95,654
Elderly tax relief	51,062	51,062	49,103
Department of Youth Services	15,914	15,914	16,056
Boat registration	13,378	13,378	13,379
State-owned property	118,143	118,143	125,007
Disability tax relief			852
Veteran's exemption	5,500	5,500	(186)
Manufacturers equipment (PILOT)	13,925	13,925	(1,844)
Mashantucket Pequot/Mohegan grant	148,882	148,882	(1,866)
FEMA	38,913	38,913	1,200
Total	454,533	493,446	504,575
Education:			
Bond refunding reimbursement	1,003,918	1,003,918	1,003,761
Education Cost Sharing	5,888,109	5,888,109	6,118,750
Special education excess cost	248,462	248,462	248,462
School transportation	204,699	204,699	243,901
BESB	16,000	16,000	25,352
Adult Education	17,333	17,333	21,595
Total	7,130,059	7,378,521	7,661,821
Total intergovernmental revenues	7,584,592	7,871,967	8,166,396

LICENSES, FEES AND PERMITS

Animal control.....	1,200	1,200	360
Telephone access line tax share.....	80,854	80,854	87,519
Finance Department.....	3,980	3,980	7,140
Engineering services.....	50,000	50,000	23,580
Police Department.....	4,225	4,225	4,338
Town Clerk.....	306,420	306,420	427,469
			(840)
			6,665
			3,160
			(26,420)
			113
			121,049

(Continued) - 1.

TOWN OF EAST HAMPTON, CONNECTICUT
 GENERAL FUND
 SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), ETC.

	..... BUDGETED AMOUNTS			VARIANCE
	ORIGINAL	FINAL	ACTUAL	FAVORABLE (UNFAVORABLE)
Planning, zoning, and buildings.....	\$ 199,435	\$ 199,435	\$ 366,671	\$ 167,236
Transfer station fees/stickers.....	22,500	22,500	35,635	13,135
Blasting permits.....	500	500	630	130
Total licenses, fees and permits.....	669,114	669,114	953,342	284,228
<u>MISCELLANEOUS</u>				
Housing Authority reimbursement.....	17,900	17,900	19,965	2,065
Lease of Town property.....	21,600	21,600	21,600	
Collector of Revenue.....	1,140	15,948	17,840	1,892
Use of schools.....			915	915
Public works.....	2,500	2,500	1,050	1,050
Tuition.....	5,350	5,350	7,328	4,828
Library.....			9,804	4,454
Community room rental.....			801	801
Sears Park stickers.....	16,500	16,500	10,839	(5,661)
Total miscellaneous.....	64,990	79,798	90,142	10,344
<u>INVESTMENT INCOME</u>				
Income on investments.....	75,000	75,000	133,704	58,704
Total revenues.....	29,465,158	29,767,341	30,765,681	998,340
<u>OTHER FINANCIAL SOURCES</u>				
Other financing sources:				
Use of fund balance.....	100,000	128,210		(128,210)
Transfers from other funds:				
WPCA.....	16,120	16,120	16,175	55
Health Insurance Reserve Fund.....	14,000	14,000	9,500	(4,500)
Total other financing sources.....	130,120	158,330	25,675	(132,655)
TOTAL.....	\$29,595,278	\$29,925,671	30,791,356	\$ 865,685
Budgetary revenues are different than GAAP revenues because:				
State of Connecticut "on-behalf" contributions to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted.....				
Total revenues and other financing sources as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds - Exhibit IV.....				
				\$31,384,025

TOWN OF EAST HAMPTON, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 FOR THE YEAR ENDED JUNE 30, 2005

	*****BUDGETED AMOUNTS*****			VARIANCE
	ORIGINAL	FINAL	ACTUAL	FAVORABLE (UNFAVORABLE)
General government:				
Town Manager's Department.....	\$ 201,242	\$ 245,637	\$ 245,636	1
Council special programs.....	10,231	11,016	11,012	4
Probate court.....	3,475	3,628	3,628	
Facilities administrator.....	66,877	79,951	79,944	7
Legal defense/fees.....	65,000	112,015	112,010	5
Town Hall and Annex.....	195,567	204,786	204,785	1
Finance and Accounting.....	315,327	357,475	355,865	1,610
Collector of Revenue.....	134,705	156,801	156,797	4
Assessor's Office.....	129,544	153,193	153,181	12
Board of Assessment Appeals.....	530	553	478	75
Town Clerk's Office.....	147,883	146,392	146,389	3
Registrars/elections.....	16,900	29,781	29,725	56
General insurance.....	236,766	229,071	229,071	
Employee benefits.....	1,593,542	926,016	926,016	
Contingency.....	10,000			
Total general government.....	3,127,589	2,656,315	2,654,537	1,778
Public safety:				
Police administration.....	212,045	238,651	238,642	9
Police regular patrol.....	874,724	1,055,360	1,055,192	168
Lake patrol.....	3,000	3,153	2,516	637
Animal Control.....	42,135	44,124	43,476	648
Street lighting.....	60,475	54,095	54,094	1
Fire administration.....	150,235	137,657	137,283	374
Firefighting.....	31,870	33,680	33,679	1
Fire Marshal.....	59,871	70,709	70,708	1
Ambulance Association.....	1,500	1,500	1,500	
Civil Preparedness.....	1,514	1,584	1,582	2
Communications.....	94,247	94,247	93,928	319
Total public safety.....	1,531,616	1,734,760	1,732,600	2,160
Public works:				
Public works - administration.....	855,368	974,169	969,785	4,384
Engineering fees.....	68,800	75,865	75,864	1
Townwide motor fuel.....	59,800	85,430	85,425	5
Town Garage.....	30,867	37,827	37,074	753
Road materials.....	165,714	189,117	187,683	1,434
Transfer station.....	155,406	133,297	131,335	1,962
Septage disposal.....	18,300	18,300	14,908	3,392
Total public works.....	1,354,255	1,514,005	1,502,074	11,931

(Continued) - 1.

TOWN OF EAST HAMPTON, CONNECTICUT
 GENERAL FUND
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), ETC.

	.....BUDGETED AMOUNTS.....			ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL			
Regulatory:					
Planning, Zoning and Buildings.....	\$ 238,101	\$ 280,351	\$	280,282	\$ 69
Economic Development Commission.....	5,637	5,706		4,342	1,364
Middle Haddam Historic District.....	725	973		970	3
Total regulatory	244,463	287,030		285,594	1,436
Health and human services:					
Health Department.....	91,480	91,480		91,480	
Social Services.....	19,360	20,125		17,679	2,446
Senior Center.....	68,187	75,718		75,208	510
Transportation.....	50,000	50,000		50,000	
Community services.....	3,400	3,690		3,690	
Total health and human services	232,427	241,013		238,057	2,956
Culture and recreation:					
Park and recreation.....	291,556	330,746		330,738	8
Library.....	291,151	317,346		314,136	3,210
Community Center.....	98,055	113,954		113,950	4
Middle Haddam Library.....	5,000	5,000		5,000	
Total culture and recreation	685,762	767,046		763,824	3,222
Board of Education.....	19,487,408	19,735,870		19,735,008	862
Debt service.....	2,187,258	2,186,922		2,185,257	1,665
Total expenditures	28,850,778	29,122,961		29,096,951	26,010
Other financing uses:					
Transfers to other funds:					
Water Fund.....	5,000	15,000		15,000	
Capital Reserve Fund.....	739,500	739,500		739,500	
Other transfers.....		48,210		48,210	
Total other financing uses.....	744,500	802,710		802,710	
TOTAL	<u>\$29,595,278</u>	<u>\$29,925,671</u>		29,899,661	<u>\$26,010</u>
Budgetary expenditures are different than GAAP expenditures because:					
State of Connecticut "on-behalf" payments to the Connecticut State Teachers' Retirement System for					
Town teachers are not budgeted.....					
Encumbrances for purchases and commitments ordered but not received are reported in the year the					
order is placed for budgetary purposes, but in the year received for financial reporting purposes.					
Total expenditures and other financing sources as reported on the statement of revenues, expenditures,					
and changes in fund balances - governmental funds - Exhibit IV					
					<u>\$30,493,591</u>

TOWN OF EAST HAMPTON, CONNECTICUTGENERAL FUNDCOMPARATIVE BALANCE SHEET
JUNE 30, 2005 AND 2004

	2005	2004
<u>A S S E T S</u>		
Cash and cash equivalents.....	\$4,428,644	\$2,610,376
Receivables, net of allowance for uncollectibles:		
Property taxes receivable - net of allowance of \$30,000.....	207,890	318,458
Other receivables.....	56,430	165,168
Grants and contracts.....	4,592,135	5,527,539
Due from other funds.....		<u>308,748</u>
TOTAL.....	<u>\$9,285,099</u>	<u>\$8,930,289</u>
 <u>L I A B I L I T I E S</u> <u>A N D</u> <u>F U N D B A L A N C E</u>		
Liabilities:		
Accounts payable.....	\$ 541,632	\$ 217,005
Accrued liabilities:		
Salaries and benefits payable.....	252,569	175,988
Other.....	67,676	83,431
Due to other funds.....	73,997	92,255
Deferred revenue.....	<u>5,027,226</u>	<u>5,930,045</u>
Total liabilities.....	<u>5,963,100</u>	<u>6,498,724</u>
Fund balance:		
Reserved for encumbrances.....	27,657	28,918
Unreserved:		
Designated for subsequent year.....		100,000
Undesignated.....	<u>3,294,342</u>	<u>2,302,647</u>
Total fund balance.....	<u>3,321,999</u>	<u>2,431,565</u>
TOTAL.....	<u>\$9,285,099</u>	<u>\$8,930,289</u>

TOWN OF EAST HAMPTON, CONNECTICUT

REPORT OF TAX COLLECTOR
FOR THE YEAR ENDED JUNE 30, 2005

GRAND LIST	UNCOLLECTED TAXES JULY 1, 2004	CURRENT TAX LEVY	ASSESSOR'S ADDITIONS	DEDUCTIONS	NET AMOUNT COLLECTIBLE	TRANSFERRED TO SUSPENSE	ADJUSTMENTS	COLLECTIONS		TOTAL	UNCOLLECTED TAXES JUNE 30, 2005
								TAXES	INTEREST AND LIENS		
2003 ..	\$268,357	\$21,122,069	\$235,135	\$176,556	\$21,178,483	\$2,165		\$20,993,136	\$ 98,782	\$21,091,918	\$ 185,347
2002 ..	59,258	6,074	6,659	6,074	253,767	8,095	\$(7,080)	212,877	44,458	257,335	40,890
2001 ..	10,617	945	6,279	945	60,682	3,619	(291)	49,094	16,568	65,662	11,588
2000 ..	7,017	461		461	9,672	484		9,607	4,763	14,370	65
1999 ..	1,443	610		610	6,185	222		6,185	4,227	10,412	
1998 ..	1,445	77		77	1,366			1,366	1,578	2,944	
1997 ..	321				1,445			1,445	1,699	3,144	
1996 ..					280			280	1,316	1,596	
TOTAL ..	\$348,458	\$21,122,069	\$248,073	\$184,764	\$21,511,880	\$14,585	\$(7,371)	21,273,990	173,391	21,447,381	\$237,890
								Advance collections.....		143,788	
								Suspense collections.....		4,140	
								Suspense interest and liens.....	1,244	1,244	
								TOTAL.....	\$21,421,918	\$174,635	\$21,596,553

TOWN OF EAST HAMPTON, CONNECTICUT

GENERAL FUND

BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS
FOR THE YEAR ENDED JUNE 30, 2005

	ORIGINAL APPROPRIATION	FINAL APPROPRIATION	EXPENDITURES	UNEXPENDED BALANCE
Certified salaries.....	\$10,079,065	\$10,035,638	\$ 9,902,865	\$ (132,773)
Classified salaries.....	2,125,027	2,117,827	2,105,398	(12,429)
Employee benefits:				
Workmen's compensation.....	44,000	41,882	47,596	5,714
Unemployment compensation.....	17,500	17,500	18,658	1,158
Social security.....	152,500	152,500	148,927	(3,573)
Medicare.....	108,400	108,400	123,365	14,965
Pension.....	162,750	162,750	162,750	
Medical and dental.....	1,952,925	1,952,925	1,952,746	(179)
Life insurance.....	50,225	50,225	53,127	2,902
Other employee benefits.....	2,943	2,943	2,943	
Tuition.....	1,375,489	1,624,416	1,680,027	55,611
Pupil transportation.....	1,210,985	1,210,985	1,273,653	62,668
Other transportation.....	40,800	40,800	40,367	(433)
Computer consulting services.....	57,766	56,861	46,992	(9,869)
Meetings and conferences.....	5,750	5,657	115	(5,542)
Professional/technical services.....	504,389	513,810	538,000	24,190
Public utilities.....	252,938	25,938	19,007	(6,931)
Building and equipment maintenance and repairs.....	168,202	144,914	147,531	2,617
Heating and ventilation maintenance and equipment.....	17,702	35,131	41,004	5,873
Security system maintenance and repairs.....	1,538	1,538	911	(627)
Vehicle maintenance and repairs.....	2,000	2,605	3,290	685
Supplies, materials and minor repairs.....	314,829	315,849	288,690	(27,159)
Fire protection.....	10,250	14,898	21,065	6,167
Refuse removal.....	37,969	37,969	39,520	1,551
Water and underground tank testing.....	3,588	3,588	4,703	1,115
Pest control.....	2,509	2,509	1,143	(1,366)
Tile and carpet replacement.....	7,688	11,149	11,149	
Equipment rental.....	120,741	120,741	126,317	5,576
Property and liability insurance.....	48,000	50,118	48,797	(1,321)
Staff travel.....	9,740	9,830	9,406	(424)
Communications.....	60,000	57,553	57,435	(118)
Newspaper advertising.....	3,175	8,822	13,557	4,735
Printing and binding.....	26,943	25,404	20,477	(4,927)
Other purchased services.....	40,728	65,243	58,939	(6,304)
Heating oil.....	145,500	154,919	164,953	10,034
Motor fuel.....	77,367	77,367	113,166	35,799
Electricity.....		227,000	226,483	(517)
Bottled gas.....		7,117	7,117	
Textbooks.....	107,551	108,748	95,101	(13,647)
Library books/periodicals.....	31,719	32,297	25,867	(6,430)
Other supplies and materials.....	25,203	23,758	45,605	21,847
Dues and fees.....	40,218	40,928	39,968	(960)
Equipment.....	43,738	41,935	6,258	(35,677)
TOTAL	\$19,487,408	\$19,735,870	\$19,735,008	\$ (862)

TOWN OF EAST HAMPTON, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2005

	SEPTAGE DISPOSAL	WATER SYSTEM	PUBLIC SAFETY	CULTURE AND RECREATION	SCHOOL CAFETERIA	EDUCATION GRANT	HEALTH INSURANCE RESERVE	PUBLIC WORKS
Cash and cash equivalents.....	\$74,686		\$75,566	\$136,342	\$25,641	\$256,863	\$523,689	\$440,179
Investments.....								
Receivables, net of allowance for uncollectibles:								
Assessments and user charges.....		\$ 8						
Grants and contracts (intergovernmental).....			1,217		14,576	61,860		
Other.....				11,000	24	2,353		
Due from other funds.....		15,016	8,128	7,076				
Inventories.....					14,841			
Advances to other funds.....								
TOTAL	\$74,686	\$15,024	\$84,911	\$154,418	\$55,082	\$321,076	\$523,689	\$440,179

A S S E T S

L I A B I L I T I E S
A N D
F U N D B A L A N C E S

Liabilities:								
Cash overdraft.....								
Accounts payable.....		\$ 1,456		\$ 7,414	\$33,679	\$ 10,822		
Due to other funds.....								
Deferred revenue.....		8		29,688		104,565		
Advances from other funds.....								
Bond anticipation notes.....								
Total liabilities		1,464		37,102	33,679	115,387		
Fund balances (deficit):								
Reserved for:								
Inventories.....							14,841	
Advances.....								
Encumbrances.....								
Endowments.....								
Unreserved:								
Designated for subsequent year's budget.....	\$74,686	13,560	\$84,911	117,316	6,562	205,689	\$523,689	\$440,179
Undesignated.....								
Total fund balances (deficit)	74,686	13,560	84,911	117,316	21,403	205,689	523,689	440,179
TOTAL	\$74,686	\$15,024	\$84,911	\$154,418	\$55,082	\$321,076	\$523,689	\$440,179

TOWN OF EAST HAMPTON, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2005

SPECIAL REVENUE

	COMMUNITY DEVELOPMENT	MISCELLANEOUS GRANT	CAPITAL RESERVE	BENEFICIAL ASSESSMENT	WPCA OPERATING	WPCA JOINT FACILITIES	COMPENSATED ABSENCES	TOTAL
Cash and cash equivalents	\$335,462	\$23,410	\$875,599	\$238,600	\$1,128,426	\$826,140		\$4,198,314
Investments								523,689
Receivables, net of allowance for uncollectibles:								
Assessments and user charges				\$238,600	19,169			257,777
Grants and contracts (intergovernmental)	282,240	24,833				40,251		142,737
Other	486	11,702		499,973	4,873	3,701	\$30,000	299,318
Due from other funds								577,254
Inventories								14,841
Advances to other funds								
TOTAL	\$618,188	\$59,945	\$875,599	\$738,573	\$1,152,468	\$870,092	\$30,000	\$6,013,930

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LIABILITIES AND

FUND BALANCES

Cash overdraft								
Accounts payable					\$ 14,356	\$ 55,737		\$ 250,973
Due to other funds	\$ 9,794		\$117,715		848,437			848,437
Deferred revenue				\$241,850	19,169			677,520
Advances from other funds	\$282,240							
Bond anticipation notes								
Total liabilities	282,240	9,794	117,715	241,850	881,962	55,737		1,776,930

Fund balances (deficit):

Reserved for:								
Inventories								14,841
Advances		112,242	151,090					263,332
Encumbrances								
Endowments								
Unreserved:								
Designated for subsequent year's budget	335,948	(62,091)	606,794	496,723	206,017	149,998	\$30,000	356,015
Undesignated					64,489	664,357		3,602,812
Total fund balances (deficit)	335,948	50,151	757,884	496,723	270,506	814,355	30,000	4,237,000
TOTAL	\$618,188	\$ 59,945	\$875,599	\$738,573	\$1,152,468	\$870,092	\$30,000	\$6,013,930

TOWN OF EAST HAMPTON, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2005

	SEPTAGE DISPOSAL	WATER SYSTEM	PUBLIC SAFETY	CULTURE AND RECREATION	SCHOOL CAFETERIA	EDUCATION GRANT	HEALTH INSURANCE RESERVE	PUBLIC WORKS
Revenues:								
Assessments.....	\$ 97,300		\$154,272	\$ 2,422	\$ 97,281	\$476,236		\$ 97,897
Intergovernmental.....		\$28,985	31,086	269,990	453,948	12,791		
Charges for services.....			5,250	30,776		25,450		
Contributions and donations.....								
Licenses, permits and fees.....								
Income/(loss) from investments.....	2,349	343	1,431	(3,167)	1,360	4,350	\$ 23,304	7,514
Miscellaneous.....			198		100			
Total revenues.....	99,649	29,526	192,039	300,021	552,689	518,827	23,304	105,411
Expenditures:								
Current:								
General government.....								
Public safety.....			208,337				5,640	
Public works and utilities.....		38,218		281,132				14,691
Culture and recreation.....								
Civic and human services.....					543,483	489,379		
Education.....								
Capital outlays.....								
Debt service:								
Principal payments.....	42,654							
Interest and fiscal charges.....	7,686							
Total expenditures.....	50,340	38,218	208,337	281,132	543,483	489,379	5,640	14,691
Excess (deficiency) of revenues over expenditures.....	49,309	(8,692)	(16,298)	18,889	9,206	29,448	17,664	90,720
Other financing sources (uses):								
Transfers in.....		15,000	18,210					
Transfers out.....	(46,000)						(9,500)	
Total other financing sources (uses).....	(46,000)	15,000	18,210				(9,500)	
Net change in fund balances.....	3,309	6,308	1,912	18,889	9,206	29,448	8,164	90,720
Fund balance (deficit), July 1, 2004.....	71,377	7,252	82,999	98,427	12,197	176,241	515,525	349,459
Fund balance (deficit), June 30, 2005.....	\$ 74,686	\$13,560	\$ 84,911	\$117,316	\$ 21,403	\$205,689	\$523,689	\$440,179

(Continued) - 1.

TOWN OF EAST HAMPTON, CONNECTICUT
 NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2005

	COMMUNITY DEVELOPMENT	MISCELLANEOUS GRANT	CAPITAL RESERVE	BENEFICIAL ASSESSMENT	WPCA OPERATING	WPCA JOINT FACILITIES	COMPENSATED ABSENCES	TOTAL
.....SPECIAL REVENUE.....								
Revenues:								
Assessments.....		\$70,988		\$145,110		\$111,325		\$ 145,110
Intergovernmental.....	\$ 70,986	18,079			\$652,155	736,333		1,107,721
Charges for services.....		2,226	\$ 26,751					2,274,353
Contributions and donations.....					4,877			90,453
Licenses, permits and fees.....	5,858	459	18,888	7,207	6,385	11,810		4,877
Income/(loss) from investments.....						4,144		88,091
Miscellaneous.....								4,442
Total revenues	76,844	91,752	45,639	152,317	663,417	863,612		3,715,047
Expenditures:								
Current:								
General government	432	71,015	119,837					196,924
Public safety			34,905					243,242
Public works and utilities			678,163		666,440	853,790		2,251,302
Culture and recreation			277,869					559,001
Civic and human services	29,575	16,012						45,587
Education			35,651					1,068,513
Capital outlays.....								
Debt service:								
Principal payments						21,550		64,204
Interest and fiscal charges						8,743		16,429
Total expenditures	30,007	87,027	1,146,425		666,440	884,083		4,445,202
Excess (deficiency) of revenues over expenditures	46,837	4,725	(1,100,786)	152,317	(3,023)	(20,471)		(730,155)
Other financing sources (uses):								
Transfers in.....			739,500			46,000	\$30,000	848,710
Transfers out.....					(16,175)			(71,675)
Total other financing sources (uses)			739,500		(16,175)	46,000	30,000	777,035
Net change in fund balances	46,837	4,725	(361,286)	152,317	(19,198)	25,529	30,000	46,880
Fund balance (deficit), July 1, 2004.	289,111	45,426	1,119,170	344,406	289,704	788,826	- 0 -	4,190,120
Fund balance (deficit), June 30, 2005	\$335,948	\$50,151	\$ 757,884	\$496,723	\$270,506	\$814,355	\$30,000	\$4,237,000

(Continued) - 2.

TOWN OF EAST HAMPION, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005

	WPCA DEVELOPMENT	PUBLIC WATER SYSTEM	TOTAL	LIBRARY TRUST	INTERFUND ELIMINATIONS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
Revenues:						
Assessments.....		\$ 336,426	\$ 336,426			\$ 145,110
Intergovernmental.....						1,444,147
Charges for services.....						2,274,353
Contributions and donations.....						90,453
Licenses, permits and fees.....	\$ 91,150		91,150			96,027
Income/(loss) from investments.....	5,174	3	5,177	\$ 273		93,541
Miscellaneous.....						4,442
Total revenues	96,324	336,429	432,753	273		4,148,073
Expenditures:						
Current:						
General government						196,924
Public safety						243,242
Public works and utilities						2,251,302
Culture and recreation						559,001
Civic and human services						45,587
Education						1,068,513
Capital outlays.....	24,408	608,791	633,199			633,199
Debt service:						
Principal payments						64,204
Interest and fiscal charges						16,429
Total expenditures	24,408	608,791	633,199			5,078,401
Excess (deficiency) of revenues over expenditures	71,916	(272,362)	(200,446)	273		(930,328)
Other financing sources (uses):						
Transfers in.....					\$ (46,000)	802,710
Transfers out.....					46,000	(25,675)
Total other financing sources (uses)						777,035
Net change in fund balances	71,916	(272,362)	(200,446)	273		(153,293)
Fund balance (deficit), July 1, 2004.	418,737	(377,294)	41,443	16,799	- 0 -	4,248,362
Fund balance (deficit), June 30, 2005	\$490,653	\$(649,656)	\$(159,003)	\$17,072	\$ - 0 -	\$4,095,069

TOWN OF EAST HAMPTON, CONNECTICUT
 SCHEDULE OF SEWER ASSESSMENTS RECEIVABLE
 FOR THE YEAR ENDED JUNE 30, 2005

DESCRIPTION	UNCOLLECTED JULY 1, 2004	CURRENT YEAR ADDITIONS	DEDUCTIONS AND ADJUSTMENTS	NET AMOUNT COLLECTIBLE	.....COLLECTIONS.....	ASSESSMENTS	INTEREST	TOTAL	UNCOLLECTED JUNE 30, 2005
Sewer assessments.....	\$341,898	\$20,750	\$122	\$362,770	\$124,170	\$20,940	\$145,110	\$238,600	

TOWN OF EAST HAMPTON, CONNECTICUT
AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2005

	BALANCE JULY 1, 2004	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2005
Assets:				
Cash:				
Student Activity Fund.....	\$265,300	\$488,169	\$487,737	\$265,732
Developer Bond Fund.....	70,499	15,144	21,995	63,648
Volunteer Firemen Award Fund.....	47,521	21,666	69,187	
Investments:				
Volunteer Firemen Award Fund.....	434,998	115,483	5,465	545,016
TOTAL ASSETS.....	\$818,318	\$640,462	\$584,384	\$874,396
Liabilities:				
Due to students and others:				
Student Activity Fund.....	\$265,300	\$488,169	\$487,737	\$265,732
Developer Bond Fund.....	70,499	15,144	21,995	63,648
Volunteer Firemen Award Fund.....	482,519	137,149	74,652	545,016
TOTAL LIABILITIES.....	\$818,318	\$640,462	\$584,384	\$874,396

TOWN OF EAST HAMPTON, CONNECTICUTCAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDSCOMPARATIVE SCHEDULE BY SOURCE
JUNE 30, 2005 AND 2004

	2005	2004
Governmental funds capital assets:		
Land.....	\$ 1,645,434	\$ 1,302,063
Buildings.....	48,151,903	47,789,263
Improvements other than buildings.....	61,795	61,795
Machinery and equipment.....	6,030,512	5,363,491
Infrastructure.....	2,124,725	298,376
Construction in progress.....	<u>1,970,084</u>	<u>853,335</u>
TOTAL.....	<u>\$59,984,453</u>	<u>\$55,668,323</u>
Investments in governmental funds capital assets by source:		
General obligation bonds and notes.....	\$50,893,420	\$49,216,830
General Fund revenues.....	2,017,257	2,208,378
Special Revenue Fund revenues.....	4,240,626	3,570,408
State Grants.....	1,456,747	476,415
Donations.....	<u>1,376,403</u>	<u>196,292</u>
TOTAL.....	<u>\$59,984,453</u>	<u>\$55,668,323</u>

TOWN OF EAST HAMPTON, CONNECTICUT
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE BY FUNCTION AND ACTIVITY
 JUNE 30, 2005

	TOTAL	LAND	BUILDINGS	IMPROVEMENTS OTHER THAN BUILDINGS	MACHINERY AND EQUIPMENT	INFRASTRUCTURE	CONSTRUCTION IN PROGRESS
General government.....	\$ 1,178,067	\$ 694,721	\$ 350,498		\$ 132,848		
Public safety.....	2,921,143	78,162	296,366		1,878,732		\$ 667,883
Public works and utilities.....	20,741,118	55,085	14,603,584		2,997,075	\$2,124,725	960,649
Cultural and recreation.....	3,254,648	476,167	2,745,812		32,669		
Civic and human services.....	310,086	80,099	5,265		224,722		
Regulatory.....	71,534		56,000		15,534		
Education.....	31,507,857	261,200	30,094,378	\$61,795	748,932		341,552
TOTAL.....	\$59,984,453	\$1,645,434	\$48,151,903	\$61,795	\$6,030,512	\$2,124,725	\$1,970,084

TOWN OF EAST HAMPTON, CONNECTICUT

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2005

	GOVERNMENTAL FUNDS CAPITAL ASSETS JULY 1, 2004	ADDITIONS	DELETIONS	GOVERNMENTAL FUNDS CAPITAL ASSETS JUNE 30, 2005
General government	\$ 1,183,891	\$ 62,630	\$ 68,454	\$ 1,178,067
Public safety	2,229,991	726,034	34,882	2,921,143
Public works and utilities	18,029,140	3,451,453	739,475	20,741,118
Cultural and recreation	2,675,994	869,314	290,660	3,254,648
Civic and human services	310,086			310,086
Regulatory	71,534			71,534
Education	31,167,687	340,170		31,507,857
TOTAL	\$55,668,323	\$5,449,601	\$1,133,471	\$59,984,453

TOWN OF EAST HAMPTON, CONNECTICUT

STATEMENT OF DEBT LIMITATION

JUNE 30, 2005

(thousands)

Total tax collections (including interest and lien fees) for the current fiscal year.....	\$21,453
Reimbursement for revenue loss on:	
Tax relief for elderly.....	<u>8</u>
BASE.....	<u>\$21,461</u>

	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt limitation:					
2-1/4 times base.....	\$48,287				
4-1/2 times base.....		\$96,574			
3-3/4 times base.....			\$80,479		
3-1/4 times base.....				\$69,748	
3 times base.....					\$64,383
Total debt limitation	<u>48,287</u>	<u>96,574</u>	<u>80,479</u>	<u>69,748</u>	<u>64,383</u>
Indebtedness:					
Bonds and notes payable..	2,020	8,355	787		
Authorized, unissued debt	2,941	2			
Total indebtedness	<u>4,961</u>	<u>8,357</u>	<u>787</u>		
Less: School construction grants.....		<u>4,457</u>			
Net indebtedness	<u>4,961</u>	<u>3,900</u>	<u>787</u>		
Debt limitation in excess of outstanding and authorized debt.....	<u>\$43,326</u>	<u>\$92,674</u>	<u>\$79,692</u>	<u>\$69,748</u>	<u>\$64,383</u>

NOTE: In no case shall total indebtedness exceed seven times annual receipts from taxation (\$150,227).