

TOWN OF EAST HAMPTON, CONNECTICUT

JUNE 30, 2007

TOWN OF EAST HAMPTON, CONNECTICUT

JUNE 30, 2007

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BlumShapiro

Independent Auditors' Report

To the 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, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, Connecticut, as of June 30, 2007, 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 February 13, 2008 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 on pages 3 through 11 and budgetary comparison information on pages 39 through 42 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.

Blum, Shapiro & Company, P.C.

February 13, 2008

TOWN OF EAST HAMPTON, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007

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, 2007.

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 \$73,320,853 (net assets). Of this amount, \$12,879,381 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's unrestricted net assets increased by \$508,457 as a result of this year's operations
- The Town's net assets invested in capital assets, net of debt increased by \$30,209,142 primarily as a result of the Town's restatement of infrastructure assets pursuant to GASB Statement No. 34. The Town restated the July 1, 2006 statement of net assets beginning balance to include all infrastructure acquired prior to July 1, 2002.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$9,900,115, an increase of \$1,256,091 in comparison with the prior year. Approximately 96% or \$9,531,512 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 \$3,942,876 or 11.2% of total General Fund expenditures and transfers out.
- The Town's total debt decreased by \$1,691,822 or 13.5% during the current fiscal year as a result of scheduled debt payments.
- The tax collection rate was 98.8%.

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, WPCA Operating Fund and Capital Initiatives Fund, which are considered to be major funds. Data from the other seventeen 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 and 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 18-38 of this report.

Required Supplementary Information

Other budgetary information required to be disclosed is provided in pages 39-42.

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 43-54 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 \$73,320,853 as of June 30, 2007 and are summarized as follows:

TABLE 1
NET ASSETS

	Governmental Activities	
	2007	2006
Current and other assets	\$ 15,890,264	\$ 16,486,173
Capital assets*	71,102,022	42,559,300
Total assets	<u>86,992,286</u>	<u>59,045,473</u>
Long-term debt outstanding	12,126,163	13,755,973
Other liabilities	1,545,270	2,685,629
Total liabilities	<u>13,671,433</u>	<u>16,441,602</u>
Net assets:		
Invested in capital assets, net of debt*	60,424,658	30,215,516
Restricted:	16,814	17,431
Unrestricted	<u>12,879,381</u>	<u>12,370,924</u>
Total Net Assets	<u>\$ 73,320,853</u>	<u>\$ 42,603,871</u>

* It should be noted that in the current fiscal year the Town valued and accounted for all infrastructure assets. In the prior year, the Town only accounted for infrastructure acquired from July 1, 2002 through June 30, 2006. As a result, the beginning balance, July 1, 2006, of capital assets, was restated as required by GASB Statement No. 34.

82% 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.

.02% 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 is considered unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

Overall, net assets increased by \$30,716,982 or 72.1% in comparison to the prior year.

Changes in Net Assets

Changes in net assets for the years ended June 30, 2007 and 2006, are as follows:

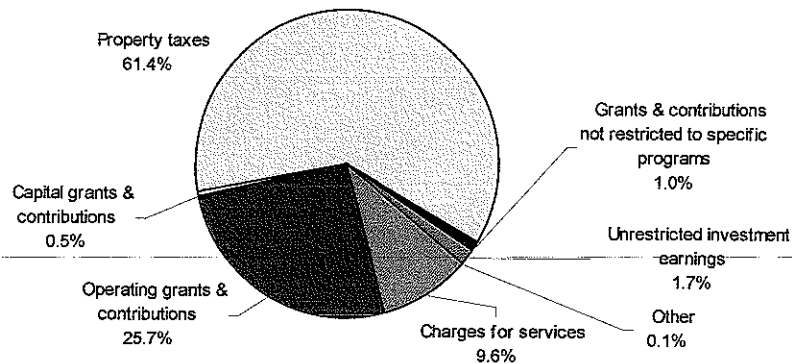
TABLE 2
CHANGE IN NET ASSETS

	Governmental Activities	
	2007	2006
Revenues:		
Program revenues:		
Charges for services	\$ 3,776,600	\$ 3,591,233
Operating grants and contributions	10,089,877	10,089,752
Capital grants and contributions	206,205	1,324,242
General revenues:		
Property taxes	24,150,645	22,988,641
Grants and contributions not restricted to specific purposes	406,978	411,922
Unrestricted investment earnings	654,130	474,365
Other	32,709	29,067
Total revenues	<u>39,317,144</u>	<u>38,909,222</u>
Program expenses:		
General government	2,688,056	2,863,707
Public safety	2,366,551	2,377,612
Civic and human services	337,184	287,554
Public works	4,838,968	4,341,583
Education	25,312,601	24,471,957
Regulatory	365,541	387,641
Culture and recreation	1,341,023	1,313,175
Interest on long-term debt	469,774	481,197
Total program expenses	<u>37,719,698</u>	<u>36,524,426</u>
Increase in net assets	<u>\$ 1,597,446</u>	<u>\$ 2,384,796</u>

Changes in Net Assets (Continued)

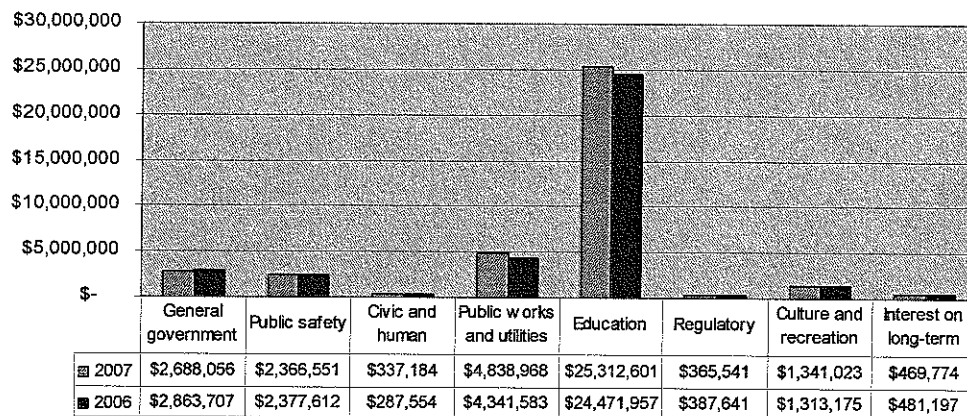
The following is a chart of revenues by source of governmental activities by percent of total revenues.

Revenues by Source - Governmental Activities



The following is a chart of expenses by function for governmental activities for fiscal years 2007 and 2006.

Expenses by Function - Governmental Activities



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 \$24,150,645 comprised 61.4% of the total revenues.

Capital grants and contributions decreased by \$1,118,037, mostly as a result of a decrease in the amount of donated roads from developers. Also contributing to this decrease were fewer grants from the federal government as a result less reimbursable expenses for the Public Water System improvement project.

Unrestricted investment earnings increased by \$179,765, as a result of the increase in the Town's investment rate of return and pro-active investment strategies.

Expenses for certain functions changed because of the following:

- **General government** - The decrease in this function was related to the Brownfield's Assessment and the Bellwood Court / Chatham Acres projects being completed early in the fiscal year.
- **Public Works** - The increase in this function was mainly due to a large increase in infrastructure depreciation as a result of recording all infrastructures acquired prior to July 1, 2002 for the first time in 2007. Increases in road and sidewalk maintenance projects also contributed to the overall change.
- **Education** - This function has increased due to contractual obligations, including teachers' salaries and benefits, including the State of Connecticut on-behalf payments to the Connecticut State Teachers' Retirement System.

The following table presents the cost of each of the Town's four largest programs - education, public works, public safety and general government - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

**TABLE 3
GOVERNMENTAL ACTIVITIES**

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
Education	\$ 25,312,601	\$ 24,471,957	\$ 15,555,480	\$ 14,790,764
Public works	4,838,968	4,341,583	2,101,433	864,865
Public safety	2,366,551	2,377,612	2,194,166	2,302,619
General government	2,688,056	2,863,707	2,000,379	1,911,592

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 \$9,900,115 an increase of \$1,256,091 in comparison with the prior year. Of this amount, \$9,531,512 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 \$3,942,876, while total fund balance was \$3,944,764. 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 11.24% of total general fund expenditures and transfers out, while total fund balance represents 11.25% of that same amount.

The fund balance of the Town's General Fund increased by \$332,765 during the current fiscal year. The key factors in this increase were due to the following:

- Actual revenues in the Tax Collector's Department exceeded estimates by \$173,434.
- Actual revenues from investment earnings exceeded estimates by \$153,289.
- Actual expenditures were \$483,953 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 \$808,354. The following are the main components of the increase:

- \$499,818 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.
- \$13,000 supplemental appropriation to the general government Council special programs account.
- \$40,000 supplemental appropriation to the Miscellaneous Grant Fund for an E.P.A. Brownfields clean-up grant match.
- \$255,536 supplemental appropriation to the Capital Reserve Fund for land acquisition costs.

Capital Asset and Debt Administration

Capital Assets

The Town's investment in capital assets for its governmental activities as of June 30, 2007 totaled \$71,102,022 (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 \$28,542,722, or 67%, over last year.

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

- The beginning balance of net infrastructure was increased by \$29,119,536 to include infrastructure placed in service prior to July 1, 2002, in accordance with GASB Statement No. 34.
- Land acquisition of the Walters property (\$383,888).
- Construction in progress related to the Town Center Fire Pump (\$145,677).
- The completion of construction of the High School ADA improvement project (\$478,990).
- The completion of the Ola Avenue and Hale Road improvement projects (\$289,445).

TABLE 4
CAPITAL ASSETS

	Governmental Activities	
	2007	2006
Land	\$ 2,121,742	\$ 1,737,854
Construction in progress	2,301,698	2,681,017
Buildings	32,306,453	32,709,105
Improvements other than buildings	617	617
Machinery and equipment	2,462,788	2,656,828
Infrastructure	31,908,724	2,773,879
Totals	\$ 71,102,022	\$ 42,559,300

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 \$10,874,235. The total debt is backed by the full faith and credit of the government.

- The Town's total debt decreased by \$1,691,822 or 13.5% during the current fiscal year. The key factor for this decrease was due to scheduled debt payments.

The Town maintains an A2 rating from Moody's Investor Service and an A+ rating from Standard & Poor's 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 \$162 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:

TABLE 5
LONG-TERM DEBT

	Governmental Activities	
	2007	2006
General obligation bonds	\$ 10,874,235	\$ 12,566,057

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 2007 and thereafter.
- The unemployment rate for the Town is currently 4.5%, which is an increase from the 2006 annual average rate of 3.7% in the prior year. This compares to the state's average unemployment rate of 5.0% and the national unemployment rate of 5.0%.
- Inflation in the New York, New Jersey, Connecticut and Pennsylvania area (3.7%) was slightly below the national Consumer Price Index (CPI) increase (4.1%).
- Residential construction declined with approximately 67 new building permits issued this year compared to 110 issued in 2006. This decline will impact fee revenue in the Building Department, as well as the Town Clerk's Department.

All of these factors were considered in preparing the Town's budget for fiscal year 2008.

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, 2007

	Governmental Activities
Assets:	
Cash and cash equivalents	\$ 10,586,911
Investments	223,667
Receivables, net	3,944,192
Inventories	17,020
Prepaid items	1,000,838
Deferred charges	117,636
Capital assets not being depreciated	4,423,440
Capital assets being depreciated, net	66,678,582
Total assets	<u>86,992,286</u>
Liabilities:	
Accounts and other payables	1,228,925
Unearned revenue	220,365
Unamortized bond premium	95,980
Noncurrent liabilities:	
Due within one year	1,750,612
Due in more than one year	10,375,551
Total liabilities	<u>13,671,433</u>
Net Assets:	
Invested in capital assets, net of related debt	60,424,658
Restricted for library:	
Expendable	15,500
Nonexpendable	1,314
Unrestricted	12,879,381
Total Net Assets	<u>\$ 73,320,853</u>

The accompanying notes are an integral part of the financial statements

EXHIBIT II

TOWN OF EAST HAMPTON, CONNECTICUT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 2,688,056	\$ 432,258	\$ 255,419	\$ (2,000,379)
Public safety	2,366,551	102,218	70,167	(2,194,166)
Civic and human services	337,184	29,993	12,041	(295,150)
Public works and utilities	4,838,968	2,162,517	399,490	(2,101,433)
Education	25,312,601	502,271	9,224,173	(15,555,480)
Regulatory	365,541	270,305		(95,236)
Culture and recreation	1,341,023	277,038	65,125	(998,860)
Interest on long-term debt	469,774		63,462	(406,312)
Total Governmental Activities	\$ 37,719,698	\$ 3,776,600	\$ 10,089,877	(23,647,016)
General revenues:				
Property taxes				24,150,645
Grants and contributions not restricted to specific programs				406,978
Unrestricted investment earnings				654,130
Other				32,709
Total general revenues				25,244,462
Change in net assets				1,597,446
Net Assets at Beginning of Year, as Restated				71,723,407
Net Assets at End of Year				\$ 73,320,853

The accompanying notes are an integral part of the financial statements

TOWN OF EAST HAMPTON, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2007

	<u>General</u>	<u>WPCA Operating</u>	<u>Capital Initiatives</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 5,052,595	\$ 1,450,977	\$	\$ 4,083,339	\$ 10,586,911
Investments				223,667	223,667
Receivables, net	3,389,359	33,826		521,007	3,944,192
Due from other funds	662,349	18,656		2,022,801	2,703,806
Inventories				17,020	17,020
Total Assets	<u>\$ 9,104,303</u>	<u>\$ 1,503,459</u>	<u>\$ -</u>	<u>\$ 6,867,834</u>	<u>\$ 17,475,596</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts and other payables	\$ 868,587	\$ 4,644	\$ 1,540	\$ 211,128	\$ 1,085,899
Due to other funds	901,567	1,146,660	297,143	358,436	2,703,806
Deferred revenue	3,389,385	33,826		362,565	3,785,776
Total liabilities	<u>5,159,539</u>	<u>1,185,130</u>	<u>298,683</u>	<u>932,129</u>	<u>7,575,481</u>
Fund balances:					
Reserved	1,888			366,715	368,603
Unreserved, reported in:					
General Fund	3,942,876				3,942,876
Special Revenue Funds		318,329		5,193,875	5,512,204
Capital Project Funds			(298,683)	373,801	75,118
Permanent Funds				1,314	1,314
Total fund balances	<u>3,944,764</u>	<u>318,329</u>	<u>(298,683)</u>	<u>5,935,705</u>	<u>9,900,115</u>
Total Liabilities and Fund Balances	<u>\$ 9,104,303</u>	<u>\$ 1,503,459</u>	<u>\$ -</u>	<u>\$ 6,867,834</u>	
Amounts reported for governmental activities in the statement of net assets (Exhibit I) are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.					71,102,022
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.					4,683,885
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.					(12,365,169)
Net Assets of Governmental Activities (Exhibit I)					<u>\$ 73,320,853</u>

The accompanying notes are an integral part of the financial statements

TOWN OF EAST HAMPTON, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

	General	WPCA Operating	Capital Initiatives	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 24,111,349	\$	\$	\$	\$ 24,111,349
Assessments				131,081	131,081
Intergovernmental	9,993,098		81,100	1,247,308	11,321,506
Charges for services		803,108		1,416,360	2,219,468
Contributions and donations				30,897	30,897
Licenses, permits and fees	777,196	3,419		166,002	946,617
Income on investments	403,289	6,397	2,978	671,249	1,083,913
Miscellaneous	117,712			78,135	195,847
Total revenues	<u>35,402,644</u>	<u>812,924</u>	<u>84,078</u>	<u>3,741,032</u>	<u>40,040,678</u>
Expenditures:					
Current:					
General government	2,871,568			1,052,336	3,923,904
Public safety	1,857,779			145,546	2,003,325
Public works and utilities	1,712,622	774,533		1,370,550	3,857,705
Culture and recreation	855,333			327,113	1,182,446
Civic and human services	246,757			59,333	306,090
Regulatory	302,164				302,164
Education	23,441,786			1,301,884	24,743,670
Capital outlay			121,080	189,561	310,641
Debt service	2,074,009			80,633	2,154,642
Total expenditures	<u>33,362,018</u>	<u>774,533</u>	<u>121,080</u>	<u>4,526,956</u>	<u>38,784,587</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,040,626</u>	<u>38,391</u>	<u>(37,002)</u>	<u>(785,924)</u>	<u>1,256,091</u>
Other Financing Sources (Uses):					
Transfers in	5,914			1,713,775	1,719,689
Transfers out	(1,713,775)		(5,914)		(1,719,689)
Total other financing sources (uses)	<u>(1,707,861)</u>	<u>-</u>	<u>(5,914)</u>	<u>1,713,775</u>	<u>-</u>
Net Change in Fund Balances	332,765	38,391	(42,916)	927,851	1,256,091
Fund Balances at Beginning of Year	<u>3,611,999</u>	<u>279,938</u>	<u>(255,767)</u>	<u>5,007,854</u>	
Fund Balances at End of Year	<u>\$ 3,944,764</u>	<u>\$ 318,329</u>	<u>\$ (298,683)</u>	<u>\$ 5,935,705</u>	

Amounts reported for governmental activities in the statement of activities (Exhibit II) are different because:

Governmental funds reported 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 depreciation expense exceeded capital outlay in the current period.	(558,155)
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 the cost of the asset sold.	(18,659)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(730,098)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayments 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.	1,691,822
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.	(43,555)

Change in Net Assets of Governmental Activities (Exhibit II) \$ 1,597,446

The accompanying notes are an integral part of the financial statements

TOWN OF EAST HAMPTON, CONNECTICUT
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

JUNE 30, 2007

	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
<hr/>		
Assets:		
Cash and cash equivalents	\$	\$ 141,783
Investments	18,990,623	871,529
Contributions receivable - employer	<u>43,803</u>	<u></u>
Total assets	19,034,426	\$ <u><u>1,013,312</u></u>
Liabilities:		
Due to students and others	<u></u>	\$ <u><u>1,013,312</u></u>
Net Assets:		
Held in trust for pension benefits	\$ <u><u>19,034,426</u></u>	

The accompanying notes are an integral part of the financial statements

TOWN OF EAST HAMPTON, CONNECTICUT

STATEMENT OF CHANGES IN PLAN NET ASSETS - FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Pension Trust Funds</u>
Additions:	
Contributions:	
Employer	\$ 646,582
Plan members	340,099
Total contributions	<u>986,681</u>
Investment income:	
Net appreciation in fair value of investments	2,592,514
Interest	99,325
Total investment income	2,691,839
Less investment expense	(159,528)
Net investment earnings	<u>2,532,311</u>
Total additions	<u>3,518,992</u>
Deductions:	
Benefit payments	610,248
Administrative expenses	17,669
Total deductions	<u>627,917</u>
Net Increase	2,891,075
Net Assets Held in Trust for Pension Benefits at Beginning of Year	<u>16,143,351</u>
Net Assets Held in Trust for Pension Benefits at End of Year	<u>\$ 19,034,426</u>

The accompanying notes are an integral part of the financial statements

TOWN OF EAST HAMPTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

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, 2007 totaled \$92,196.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) 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 nonfiduciary 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.

The *General Fund* is 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 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 Firemen 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 funds:

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 WPCA Operating Fund is used to account for the sewer operations of the Town.

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 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 (UMIFA). Under UMIFA, 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, 2007 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 noncurrent 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, except property taxes and Small Cities loans, have 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 70% 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 30 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, 2007 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.

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, 2007 is \$1,448,799.

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 of 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 \$12,365,169 difference are as follows:

Bonds and notes payable	\$ 10,874,235
Less deferred charges on refunding (to be amortized as interest expense)	(196,871)
Accrued interest payable	143,026
Unamortized bond premiums	95,980
Compensated absences	<u>1,448,799</u>
Net Adjustment to Reduce Fund Balance - Total Governmental Funds to Arrive at Net Assets of Governmental Activities	<u>\$ 12,365,169</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 \$(558,155) difference are as follows:

Capital outlay	\$ 890,905
Depreciation expense	<u>(1,449,060)</u>
Net Adjustment to Decrease Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u>\$ (558,155)</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 \$(730,098) difference are as follows:

Property taxes	\$ 34,633
Accrued interest	4,663
Housing loans	11,750
School building grants	(727,747)
Assessments	(56,609)
Sewer use	9,507
Net pension asset change	<u>(6,295)</u>
Net Adjustment to Decrease Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u>\$ (730,098)</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 \$(43,555) difference are as follows:

Compensated absences	\$ (36,610)
Accrued interest	20,544
Amortization of deferred charge on refunding	(25,402)
Amortization of issuance costs	(12,438)
Amortization of bond premium	<u>10,351</u>
Net Adjustment to Decrease Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	\$ <u>(43,555)</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 \$1,691,822 difference are as follows:

Principal repayments:	
General obligation debt	\$ 1,625,000
Clean water notes	<u>66,822</u>
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	\$ <u>1,691,822</u>

Another element of that reconciliation states that 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 the cost of the asset sold. The details of this \$(18,659) difference are as follows:

Net Loss on Trade-in or Sale of Capital Assets	\$ <u>(18,659)</u>
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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 that 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, 2007 amounted to \$808,354, of which \$499,818 was from revised revenue and \$308,536 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 \$1,349,076.

B. Deficit Fund Equity

The following funds had deficit fund balances as of June 30, 2007, which did not constitute a violation of statutory provisions:

<u>Fund</u>	<u>Amount</u>
Capital Initiatives Fund (Major Fund)	\$ 298,683
Public Water System Fund (Nonmajor Governmental Fund)	80,106

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 do 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, 2007:

Deposits:	
Demand accounts	\$ 3,683,762
Money market accounts	<u>2,029,559</u>
Total deposits	5,713,321
Petty cash	2,025
Cash equivalents:	
State Short-Term Investment Fund (STIF)	4,162,147
MBIA, Inc. - Cooperative Liquid Assets Securities System (CLASS)	672,347
Tax Exempt Proceeds Fund (TEPF)	<u>178,854</u>
 Total Cash and Cash Equivalents	 \$ <u>10,728,694</u>

Deposits

At June 30, 2007 the carrying amount of the Town deposits was \$5,894,513 (including certificates of deposit reported as investments of \$181,192) and the bank balance was \$6,942,583.

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, 2007 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 \$694,258 based on June 30, 2007 deposits was collateralized (collateral held by the pledging bank's trust department is not in the Town's name). The balance of deposits of \$5,848,325 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, 2007 the Town's cash equivalents amounted to \$5,013,348. 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		
Tax Exempt Proceeds Fund (TEPF)	*		
MBIA, Inc. - Cooperative Liquid Assets Securities System (CLASS)	AA	Aaa	AAA

* Not rated

B. Investments

Investments as of June 30, 2007 in all funds are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Interest-bearing investments:		
Certificates of deposit*	\$ 181,192	.96
U.S. government bond funds	127,768	4.44
Corporate bond funds	5,451,790	6.41
Other investments:		
Common stock	195,483	
Mutual funds	590,752	
Pension Fund mutual funds	13,538,834	
Total	\$ 20,085,819	

Portfolio weighted average maturity for interest-bearing investments 6.23

* 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.

	<u>Amount</u>	<u>Moody's Investor Service</u>	<u>Standard and Poor's</u>
Corporate bonds	\$ 3,102,908	AA1	
Government bonds	127,768		AAA
Corporate bonds	2,348,882		A-

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, 2007, the Town had uninsured and unregistered securities held by the counterparty or by its trust department or agent of \$195,483 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>WPCA Operating Fund</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:				
Interest	\$ 53,166	\$	\$	\$ 53,166
Property taxes	334,027			334,027
Use charges and assessments		33,826	100,758	134,584
Intergovernmental	2,996,418		149,765	3,146,183
Housing loans			308,009	308,009
Pension contributions			43,803	43,803
Other	35,748		6,603	42,351
Gross receivables	3,419,359	33,826	608,938	4,062,123
Less allowance for uncollectibles	(30,000)		(44,128)	(74,128)
Net Total Receivables	\$ <u>3,389,359</u>	\$ <u>33,826</u>	\$ <u>564,810</u>	\$ <u>3,987,995</u>

The allowances for uncollectibles are \$30,000 for General Fund property taxes and \$44,128 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 principal	\$ 251,503	\$
Accrued interest on delinquent property tax	53,166	
Property taxes collected in advance		36,685
Sewer assessments and use fees not yet due	129,758	
School building grant	2,869,177	178,854
Housing loans	261,807	
Program activities		4,826
Total Deferred/Unearned Revenue for Governmental Funds	\$ <u>3,565,411</u>	\$ <u>220,365</u>

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 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	\$ 1,737,854	\$ 383,888	\$	\$ 2,121,742
Construction in progress	2,681,017	389,116	(768,435)	2,301,698
Total capital assets not being depreciated	<u>4,418,871</u>	<u>773,004</u>	<u>(768,435)</u>	<u>4,423,440</u>
Capital assets being depreciated:				
Buildings	49,276,712	478,990		49,755,702
Improvements other than buildings	61,795			61,795
Machinery and equipment	6,547,354	117,901	(174,469)	6,490,786
Infrastructure	36,071,436	289,445		36,360,881
Total capital assets being depreciated	<u>91,957,297</u>	<u>886,336</u>	<u>(174,469)</u>	<u>92,669,164</u>
Less accumulated depreciation for:				
Buildings	(16,567,607)	(881,642)		(17,449,249)
Improvements other than buildings	(61,178)			(61,178)
Machinery and equipment	(3,890,526)	(293,282)	155,810	(4,027,998)
Infrastructure	(4,178,021)	(274,136)		(4,452,157)
Total accumulated depreciation	<u>(24,697,332)</u>	<u>(1,449,060)</u>	<u>155,810</u>	<u>(25,990,582)</u>
Total capital assets being depreciated, net	<u>67,259,965</u>	<u>(562,724)</u>	<u>(18,659)</u>	<u>66,678,582</u>
Governmental Activities Capital Assets, Net	\$ <u>71,678,836</u>	\$ <u>210,280</u>	\$ <u>787,094</u>	\$ <u>71,102,022</u>

The Town has implemented the provisions of Governmental Accounting Standards Board Statement No. 34 related to recording infrastructure assets acquired prior to July 1, 2002. The adjustment added \$33,191,711 to infrastructure and \$4,072,075 to accumulated depreciation.

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

Governmental activities:	
General government	\$ 12,505
Public safety	129,848
Public works and utilities	665,103
Civic and human services	1,103
Culture and recreation	54,731
Education	<u>585,770</u>
Total Depreciation Expense - Governmental Activities	\$ <u>1,449,060</u>

Capital Projects

A summary of project authorizations for the Town's Capital Projects in process at June 30, 2007 is as follows:

	<u>Authorization</u>	<u>Project Expenditures</u>		<u>Balance</u>
		<u>2006/07</u>	<u>Cumulative</u>	
Capital Initiatives Fund	\$ 6,299,972	\$ 126,995	\$ 3,674,841	\$ 2,625,131
Public Water System Fund	1,541,770	94,058	1,452,477	89,293
Total	<u>\$ 7,841,742</u>	<u>\$ 221,053</u>	<u>\$ 5,127,318</u>	<u>\$ 2,714,424</u>

7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At June 30, 2007, the interfund receivables and payables are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to/from other funds:		
Nonmajor Governmental Funds	General Fund	\$ 901,567
Nonmajor Governmental Funds	WPCA Operating Fund	1,139,890
General Fund	Nonmajor Governmental Funds	358,436
General Fund	WPCA Operating Fund	6,770
General Fund	Capital Initiatives Fund	297,143
Total		<u>\$ 2,703,806</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, 2007 consisted of the following:

	<u>Transfers In</u>		
	<u>General Fund</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Transfers out:			
Capital Initiatives	\$ 5,914	\$	\$ 5,914
General Fund		1,713,775	1,713,775
Total	<u>\$ 5,914</u>	<u>\$ 1,713,775</u>	<u>\$ 1,719,689</u>

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, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds and notes payable:					
General obligation bonds and notes	\$ 12,566,057	\$	\$ (1,691,822)	\$ 10,874,235	\$ 1,678,172
Unamortized amounts:					
Deferred charges on refunding	<u>(222,273)</u>		<u>25,402</u>	<u>(196,871)</u>	
Total bonds payable	12,343,784	-	(1,666,420)	10,677,364	1,678,172
Other liabilities:					
Compensated absences	<u>1,412,189</u>	<u>544,775</u>	<u>(508,165)</u>	<u>1,448,799</u>	<u>72,440</u>
Total	<u>\$ 13,755,973</u>	<u>\$ 544,775</u>	<u>\$ (2,174,585)</u>	<u>\$ 12,126,163</u>	<u>\$ 1,750,612</u>

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, 2007</u>
General obligation bonds:					
General purpose refunding bonds	06-15-99	10-15-10	3.75-4.6	\$ 10,100,000	\$ 2,905,000
General obligation bonds	08-15-02	08-15-17	3.00-4.125	2,345,000	1,670,000
General purpose refunding bonds	04-01-03	07-15-14	3.375-4.10	4,005,000	2,720,000
General obligation bonds	02-01-06	02-01-21	3.40-5	3,175,000	2,925,000
Clean water notes payable:					
Sewer 480-C	06-30-02	12-31-21	2.0	503,694	381,017
Sewer	03-31-94	03-31-13	2.0	837,030	<u>273,218</u>
Total					<u>\$ 10,874,235</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>
2008	\$ 1,678,172	\$ 385,714	\$ 658,108
2009	1,669,547	322,013	646,990
2010	1,655,951	257,790	1,564,079
2011	1,282,383	201,195	
2012	838,844	162,661	
2013-2017	2,894,079	403,822	
2018-2022	855,259	65,111	
TOTAL	\$ 10,874,235	\$ 1,798,306	\$ 2,869,177

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, 2007 was \$733,348. Additional reimbursements of principal and interest aggregating approximately \$2.9 million 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, 2007, \$4,995,000 of general obligation bonds are considered defeased.

Authorized/Unissued Bonds

The amount of authorized, unissued bonds for general purposes at June 30, 2007 is as follows:

<u>Purpose of Bonds</u>	<u>Authorized But Unissued</u>
Governmental Activities:	
Ambulance Facility	\$ 18,500
High School Athletic Facilities Improvements	2,000
Capital Improvements 2004-2005	454,000
Land Purchase	7,100
Flanders Roadway Improvements	1,557,000
Main Street Bridge Replacement	1,020,000
Water System Initial Water Supply	866,000

The amount of bonds, notes or other obligations authorized for the water system initial water supply shall be reduced by the amount of grants received by the Town for the project. As of June 30, 2007, the amount of grants received for this project was \$821,554.

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>	<u>(thousands)</u>	
		<u>Net Indebtedness</u>	<u>Balance</u>
General purpose	\$ 54,340	\$ 6,369	\$ 47,971
Schools	108,679	3,379	105,300
Sewers	90,566	654	89,912
Urban renewal	78,491		78,491
Pension deficit	72,453		72,453

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation (\$169 million).

The indebtedness reflected above includes long-term debt outstanding and \$3,925 thousand of bonds authorized and unissued against which bond anticipation notes are issued and outstanding. Indebtedness does not include Water bonds of \$662,200.

School indebtedness is net of \$2.869 million of State of Connecticut school building grant commitments.

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, 2007</u>
02/01/06	01/30/07	3.29	\$ 425,000	\$ 425,000	\$ -

The bond anticipation notes relate to the School Water and Alarm System project.

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, 2007 is presented below:

General Fund:	
Reserved for encumbrances	\$ 1,888
Nonmajor Governmental Funds:	
Reserved for inventory	17,020
Reserved for encumbrances	184,195
Reserved trust principal - Permanent Funds	15,500
Reserved for advances	<u>150,000</u>
Total Governmental Funds	\$ <u>368,603</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 reduction 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 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, 2006, the date of the latest actuarial valuation:

Retirees and beneficiaries currently receiving benefits	60
Terminated Plan members entitled to benefits but not yet receiving them	76
Current Plan members	157
Inactive with vested benefits	<u>3</u>
Total	<u>296</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 5% or more of the Plan's net assets.

C. Funding Policy

Police employees contribute 5% of earnings; all other employees are required to contribute 5.5% 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, 2007 were as follows:

Annual required contribution	\$ 615,792
Interest on net pension obligation	(80,571)
Adjustment to annual required contribution	<u>117,656</u>
Annual pension cost	652,877
Contributions made	<u>646,582</u>
Increase in net pension obligation	6,295
Net pension obligation (asset) at beginning of year	<u>(1,007,133)</u>
Net Pension Obligation (Asset) at End of Year	\$ <u>(1,000,838)</u>

The annual required contribution for the current year was determined as part of the January 1, 2006 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>
6/30/05	\$ 591,904	\$ 551,929	93.2 %	\$ (1,045,636)
6/30/06	636,258	597,755	93.95	(1,007,133)
6/30/07	652,877	646,582	99.0	(1,000,838)

F. Pension Plan Required Supplementary Information

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued 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>
1/01/2002	\$ 11,708,155	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
1/01/2006	15,713,232	17,166,458	1,453,226	91.53	5,941,437	24.46

Schedule of Employer Contributions

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2002	\$ 364,757	127%
2003	404,546	120
2004	533,871	94
2005	551,929	100
2006	597,755	100
2007	646,582	105

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, 2007, Town teachers contributed \$778,725 to the plan and covered payroll for the year was \$10,741,034.

In accordance with the provisions of GASB Statement No. 24, the Town has reported on-behalf payments of \$1,349,076 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 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.

14. SUBSEQUENT EVENT

On November 20, 2007 the Town issued \$2,985,000 of general obligation bond anticipation notes to finance the construction of the following:

Flanders Road Improvements	\$ 1,555,000
Main Street Bridge Replacement	1,020,000
Sidewalk Replacement	410,000

The notes mature on August 20, 2008 and have an interest rate of 3.24%.

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, 2007

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Property taxes:				
Current taxes	\$ 23,269,915	\$ 23,269,915	\$ 23,545,510	\$ 275,595
Back taxes	250,000	250,000	202,234	(47,766)
Supplemental motor vehicles	275,000	275,000	225,920	(49,080)
Interest	140,000	140,000	135,427	(4,573)
Liens	3,000	3,000	2,258	(742)
Total property taxes	<u>23,937,915</u>	<u>23,937,915</u>	<u>24,111,349</u>	<u>173,434</u>
Intergovernmental Revenues:				
General government:				
State infrastructure (LOCIP)	98,344	98,344	94,428	(3,916)
Elderly tax relief	42,000	42,000	46,124	4,124
Elderly Freeze Exemption	7,800	7,800	6,000	(1,800)
Department of Youth Services	15,914	15,914	16,098	184
Boat registration	13,378	13,378	13,378	-
State-owned property	129,119	129,119	134,487	5,368
Disability tax relief	1,200	1,200	889	(311)
Veteran's exemption	5,300	5,300	3,934	(1,366)
Manufacturers equipment (PILOT)	15,000	15,000	14,232	(768)
Telephone Access Line Share	87,518	87,518	61,667	(25,851)
Mashantucket Pequot/Mohegan grant	95,258	95,258	102,921	7,663
Property Tax Relief	83,793	83,793	83,793	-
Other State			509	509
Total	<u>594,624</u>	<u>594,624</u>	<u>578,460</u>	<u>(16,164)</u>
Education:				
Principal and interest subsidy school bonds	745,454	745,454	758,424	12,970
Education cost sharing	6,439,142	6,439,142	6,459,851	20,709
Special education excess cost		499,818	499,818	-
School transportation	298,391	298,391	239,355	(59,036)
BESB	15,000	15,000	23,826	8,826
Special Education Equity			61,866	61,866
Adult Education	25,693	25,693	22,422	(3,271)
Total	<u>7,523,680</u>	<u>8,023,498</u>	<u>8,065,562</u>	<u>42,064</u>
Total intergovernmental revenues	<u>8,118,304</u>	<u>8,618,122</u>	<u>8,644,022</u>	<u>25,900</u>

(Continued on next page)

TOWN OF EAST HAMPTON, CONNECTICUT

**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Licenses, fees and permits:				
Finance Department	\$ 19,520	\$ 19,520	\$ 13,381	\$ (6,139)
Engineering services	35,000	35,000		(35,000)
Firefighting			41,226	41,226
Police Department	4,400	4,400	4,775	375
Town Clerk	380,000	380,000	355,388	(24,612)
Planning, zoning and buildings	298,750	298,750	270,976	(27,774)
Street lighting			56,631	56,631
Transfer station fees/stickers	27,580	27,580	34,334	6,754
Blasting permits	400	400	485	85
Total licenses and permits, fines and permits	<u>765,650</u>	<u>765,650</u>	<u>777,196</u>	<u>11,546</u>
Miscellaneous:				
Housing Authority reimbursement	19,000	19,000	23,346	4,346
Lease of Town property	21,600	21,600	21,882	282
Collector of Revenue	3,100	3,100	6,939	3,839
Cemetery	1,000	1,000		(1,000)
Sears Park rent			1,010	1,010
Use of schools	425	425		(425)
Tuition	1,800	1,800	37,324	35,524
Library	9,000	9,000	12,426	3,426
Middle Haddam Historic District	250	250	375	125
Community room rental	450	450	500	50
Sale of Equipment			2,895	2,895
Sears Park stickers	12,000	12,000	11,015	(985)
Total miscellaneous	<u>68,625</u>	<u>68,625</u>	<u>117,712</u>	<u>49,087</u>
Investment income	<u>250,000</u>	<u>250,000</u>	<u>403,289</u>	<u>153,289</u>
Total revenues	<u>33,140,494</u>	<u>33,640,312</u>	<u>34,053,568</u>	<u>413,256</u>
Other financing sources:				
Transfers from other funds:				
Capital Projects	40,520	40,520	5,914	(34,606)
Use of fund balance	210,559	519,095		(519,095)
Total other financing sources	<u>251,079</u>	<u>559,615</u>	<u>5,914</u>	<u>(553,701)</u>
Total Budgeted Revenues and Transfers	\$ <u>33,391,573</u>	\$ <u>34,199,927</u>	34,059,482	\$ <u>(140,445)</u>
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			<u>1,349,076</u>	
Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV			<u>\$ 35,408,558</u>	

TOWN OF EAST HAMPTON, CONNECTICUT

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
General Government:				
Town Manager's Department	\$ 266,813	\$ 268,708	\$ 268,702	\$ 6
Council special programs	10,345	24,275	24,274	1
Probate court	3,287	3,287	3,083	204
Facilities administrator	86,869	86,869	86,794	75
Legal defense/fees	89,250	179,658	179,658	-
Town Hall and Annex	225,851	226,776	226,492	284
Finance and Accounting	398,584	398,583	398,500	83
Collector of Revenue	168,426	168,022	165,626	2,396
Assessor's Office	156,375	156,375	156,188	187
Board of Assessment Appeals	598	598	147	451
Town Clerk's office	187,339	189,294	186,894	2,400
Registrars/elections	21,236	31,965	31,864	101
General insurance	193,000	149,162	149,161	1
Employee benefits	1,155,108	991,531	991,530	1
Contingency	97,000			-
	<u>3,060,081</u>	<u>2,875,103</u>	<u>2,868,913</u>	<u>6,190</u>
Public Safety:				
Police administration	251,075	258,497	258,439	58
Police regular patrol	1,137,207	1,118,530	1,118,529	1
Lake patrol	8,517	3,753	2,969	784
Animal Control	45,787	42,380	38,902	3,478
Street lighting	66,525	52,431	52,430	1
Fire administration	201,732	200,822	200,822	-
Fire Marshal	77,258	77,258	76,293	965
Ambulance association	1,500	2,239	2,238	1
Civil Preparedness	1,514	1,514	450	1,064
Communications	101,233	102,516	102,515	1
	<u>1,892,348</u>	<u>1,859,940</u>	<u>1,853,587</u>	<u>6,353</u>
Public Works:				
Public Works - Administration	1,075,173	1,015,492	1,015,481	11
Engineering fees	67,500	96,546	96,546	-
Townwide motor fuel	119,264	149,279	149,278	1
Town Garage	44,707	43,343	42,776	567
Road materials	216,000	216,000	216,000	-
Transfer station	190,360	177,683	177,683	-
Septage disposal	14,955	14,955	14,858	97
	<u>1,727,959</u>	<u>1,713,298</u>	<u>1,712,622</u>	<u>676</u>
Regulatory:				
Planning, zoning and buildings	313,720	277,818	277,818	-
Economic development commission	23,306	21,970	21,773	197
Middle Haddam Historic District	1,075	2,575	2,571	4
	<u>338,101</u>	<u>302,363</u>	<u>302,162</u>	<u>201</u>

(Continued on next page)

TOWN OF EAST HAMPTON, CONNECTICUT

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>			<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Health and Human Services:				
Chatham Health District	\$ 92,196	\$ 96,590	\$ 96,590	\$ -
Social Services	20,525	20,900	20,898	2
Senior Center	90,570	76,751	75,019	1,732
Transportation	51,250	51,250	51,250	-
Community Services	3,800	3,000	3,000	-
	<u>258,341</u>	<u>248,491</u>	<u>246,757</u>	<u>1,734</u>
Culture and Recreation:				
Park and recreation	362,543	364,759	364,758	1
Library	363,928	356,038	356,037	1
Community Center	122,475	123,938	123,938	-
Middle Haddam Library	7,000	7,000	7,000	-
Lake Pocotopaug Commission		3,599	3,596	3
	<u>855,946</u>	<u>855,334</u>	<u>855,329</u>	<u>5</u>
Board of Education	<u>22,224,274</u>	<u>22,557,533</u>	<u>22,088,820</u>	<u>468,713</u>
Debt Service	<u>1,997,073</u>	<u>2,074,090</u>	<u>2,074,009</u>	<u>81</u>
Total Expenditures	<u>32,354,123</u>	<u>32,486,152</u>	<u>32,002,199</u>	<u>483,953</u>
Other Financing Uses:				
Transfers to other funds:				
Water Fund	10,000	75,882	75,882	-
Capital Reserve Fund	927,450	1,430,351	1,430,351	-
Other transfers	100,000	172,983	172,983	-
Cafeteria		34,559	34,559	-
Total other financing uses	<u>1,037,450</u>	<u>1,713,775</u>	<u>1,713,775</u>	<u>-</u>
Total	<u>\$ 33,391,573</u>	<u>\$ 34,199,927</u>	<u>33,715,974</u>	<u>\$ 483,953</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.

1,349,076

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.

10,743

Total expenditures and other financing sources as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds - Exhibit IV

\$ 35,075,793

TOWN OF EAST HAMPTON, CONNECTICUT
COMPARATIVE BALANCE SHEET - GENERAL FUND

JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and cash equivalents	\$ 5,052,595	\$ 4,756,426
Receivables, net of allowance for uncollectibles:		
Property taxes receivable - net of allowance of \$30,000	304,027	260,259
Other receivables	88,914	49,008
Grants and contracts	2,996,418	3,695,268
Due from other funds	<u>662,349</u>	<u>131,126</u>
Total Assets	<u>\$ 9,104,303</u>	<u>\$ 8,892,087</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 658,109	\$ 490,886
Accrued liabilities:		
Salaries and benefits payable	165,978	215,962
Other	44,500	67,500
Due to other funds	901,567	211,102
Deferred revenue	<u>3,389,385</u>	<u>4,294,638</u>
Total liabilities	<u>5,159,539</u>	<u>5,280,088</u>
Fund balance:		
Reserved for encumbrances	1,888	12,640
Unreserved:		
Designated for subsequent year		210,559
Undesignated	<u>3,942,876</u>	<u>3,388,800</u>
Total fund balance	<u>3,944,764</u>	<u>3,611,999</u>
Total Liabilities and Fund Balance	<u>\$ 9,104,303</u>	<u>\$ 8,892,087</u>

TOWN OF EAST HAMPTON, CONNECTICUT

REPORT OF TAX COLLECTOR

FOR THE YEAR ENDED JUNE 30, 2007

Grand List	Uncollected Taxes July 1, 2006	Current Tax Levy	Assessor's		Transferred To Suspend	Adjustments	Net Amount Collectible	Collections		Uncollected Taxes June 30, 2007
			Additions	Deductions				Taxes	Interest and Liens	
2005	\$	\$ 23,694,495	\$ 460,648	\$ 128,730	\$	\$	\$ 24,026,413	\$ 23,745,910	\$ 95,755	\$ 23,841,665
2004	245,327		20,533	17,993	32,426	(882)	214,559	177,235	35,542	212,777
2003	32,535		5,951	79	5,238		33,169	24,798	7,653	32,451
2002	9,017				1,437		7,580	2,061	1,037	3,098
2001	3,314		190				3,504	1,194	674	1,868
2000	66						66	66	66	132
1999			74				74	74	74	74
	\$ 290,259	\$ 23,694,495	\$ 487,322	\$ 146,802	\$ 39,101	\$ (882)	\$ 24,285,365			\$ 334,027
Advance collections										
								45,870		45,870
								3,719		3,719
									3,296	3,296
								\$ 24,000,927	\$ 144,023	\$ 24,144,950
Total										

TOWN OF EAST HAMPTON, CONNECTICUT

BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS

FOR THE YEAR ENDED JUNE 30, 2007

	Original Appropriation	Final Appropriation	Expenditures	Unexpended Balance
Certified salaries	\$ 11,042,270	\$ 11,192,894	\$ 10,957,225	\$ (235,669)
Classified salaries	2,296,222	2,268,282	2,230,527	(37,755)
Employee benefits:				
Workmen's compensation	35,577	35,577	67,184	31,607
Unemployment compensation	20,000	20,000	30,584	10,584
Social security	160,085	162,038	160,866	(1,172)
Medicare	133,382	137,550	145,045	7,495
Pension	196,925	202,975	202,975	-
Medicare and dental	2,582,347	2,741,697	2,522,001	(219,696)
Life insurance	61,550	61,550	46,034	(15,516)
Tuition	1,630,100	1,811,874	1,616,524	(195,350)
Pupil transportation	1,350,666	1,373,984	1,414,515	40,531
Other transportation	44,624	44,624	47,569	2,945
Computer consulting services	63,215	118,715	121,207	2,492
Meetings and conferences	39,000	24,249	14,759	(9,490)
Professional/technical services	661,550	581,490	529,372	(52,118)
Public utilities	25,412	25,412	27,647	2,235
Building, equipment maintenance and repairs	174,952	172,665	169,661	(3,004)
Heating, ventilation maintenance and repairs	40,000	40,000	56,424	16,424
Security system maintenance and repairs	1,100	1,100	600	(500)
Vehicle maintenance and repairs	2,797	2,797	3,547	750
Supplies, materials and minor equipment	366,160	340,664	340,352	(312)
Fire protection	17,000	17,000	19,643	2,643
Refuse removal	42,636	42,636	23,504	(19,132)
Water and underground tank testing	3,700	3,700	3,866	166
Pest control	2,693	2,693	1,558	(1,135)
Tile and carpet replacement	8,500	8,500	8,500	-
Equipment rental	138,665	105,386	92,323	(13,063)
Property and liability insurance	60,587	60,587	90,392	29,805
Staff travel	9,598	9,791	7,490	(2,301)
Communications	65,173	65,038	50,486	(14,552)
Newspaper advertising	5,663	6,185	7,144	959
Printing and binding	27,983	22,901	24,195	1,294
Other purchased services	72,354	70,146	78,646	8,500
Heating oil	280,665	280,665	216,092	(64,573)
Motor fuel	144,560	144,560	177,513	32,953
Electricity	245,633	245,633	258,057	12,424
Bottled gas	7,700	7,700	11,250	3,550
Textbooks	139,076	106,629	139,485	32,856
Library books/periodicals	32,585	32,025	31,153	(872)
Other supplies and materials	29,994	22,804	23,114	310
Dues and fees	48,552	48,150	44,038	(4,112)
Equipment	88,389	61,226	75,753	14,527
New staff/program requests	384,202			-
Budget adjustments	(559,568)			-
Transfers out *			166,559	166,559
Total	\$ 22,224,274	\$ 22,724,092	\$ 22,255,379	\$ (468,713)

*Amount is included as Other Financing Use (Capital Reserve Fund \$132,000 and Cafeteria Fund \$34,559) on RSI-2.

TOWN OF EAST HAMPTON, CONNECTICUT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2007

	Special Revenue							
	Septage Disposal	Water System	Public Safety	Culture and Recreation	School Cafeteria	Education Grant	Health Insurance Reserve	Public Works
ASSETS								
Cash and cash equivalents	\$ 86,959	\$	\$ 52,087	\$ 169,027	\$ 3,736	\$	\$ 375,149	\$ 674,505
Investments			16,677				206,990	
Receivables, net of allowance for uncollectibles:								
Assessments and user charges		4,826			15,489	134,276		
Intergovernmental		1,100			34,559	621		
Other		82,233	7,668	5,084	17,020			
Due from other funds								
Inventories								
Advances to other funds								
Total Assets	\$ 86,959	\$ 88,159	\$ 76,432	\$ 174,111	\$ 70,804	\$ 381,969	\$ 582,139	\$ 674,505
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$	\$ 11,913	\$ 1,146	\$ 12,953	\$ 16,941	\$ 7,285	\$ 582,139	\$ 2,131
Due to other funds		58,802	7,434	10,184	19,806	147,900		
Deferred revenue		4,826						
Advances from other funds								
Total liabilities	-	75,541	8,580	23,137	36,747	155,185	582,139	2,131
Fund Balances:								
Reserved for:								
Inventories					17,020			
Advances								
Encumbrances								
Endowments								
Unreserved								
Total fund balances	86,959	12,618	67,852	150,974	17,037	226,784		672,374
	86,959	12,618	67,852	150,974	34,057	226,784	-	672,374
Total Liabilities and Fund Balances	\$ 86,959	\$ 88,159	\$ 76,432	\$ 174,111	\$ 70,804	\$ 381,969	\$ 582,139	\$ 674,505

(Continued on next page)

TOWN OF EAST HAMPTON, CONNECTICUT
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2007

	Special Revenue					
	Community Development	Miscellaneous Grant	Capital Reserve	Beneficial Assessment	WPCA Joint Facilities	Compensated Absences
ASSETS						Total
Cash and cash equivalents						
Investments						
Receivables, net of allowance for uncollectibles:						
Assessments and user charges				95,932		
Intergovernmental						
Other		195			6,761	
Due from other funds	261,807	170,170	482,901	782,215		
Inventories						
Advances to other funds						
Total Assets	\$ 301,542	\$ 344,112	\$ 1,332,917	\$ 878,147	\$ 1,320,434	\$ 6,956,220
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 3,763	\$ 61,675	\$ 28,976		\$ 59,227	\$ 206,010
Due to other funds		47,156			54,134	992,555
Deferred revenue	261,807			95,932		362,565
Advances from other funds						
Total liabilities	265,570	108,831	28,976	95,932	113,361	1,561,130
Fund Balances:						
Reserved for:						
Inventories						17,020
Advances		184,195				184,195
Encumbrances						
Endowments						
Unreserved	35,972	51,086	1,303,941	782,215	1,207,073	5,193,875
Total fund balances	35,972	235,281	1,303,941	782,215	1,207,073	5,395,090
Total Liabilities and Fund Balances	\$ 301,542	\$ 344,112	\$ 1,332,917	\$ 878,147	\$ 1,320,434	\$ 6,956,220

(Continued on next page)

TOWN OF EAST HAMPTON, CONNECTICUT
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2007

	Capital Projects			Permanent		Interfund Eliminations	Total Nonmajor Governmental Funds
	WPCA Development	Public Water System	Total	Library Trust			
ASSETS							
Cash and cash equivalents	\$ (4,529)	\$ 22,958	\$ 18,429	\$ 16,814	\$	\$	\$ 4,083,339
Investments			-				223,667
Receivables, net of allowance for uncollectibles:							
Assessments and user charges			-				100,758
Intergovernmental			-				149,765
Other			-				270,484
Due from other funds	463,529	46,961	510,490		(634,119)		2,022,801
Inventories			-				17,020
Advances to other funds	150,000		150,000		(150,000)		-
Total Assets	\$ 609,000	\$ 69,919	\$ 678,919	\$ 16,814	\$ (784,119)	\$	\$ 6,867,834
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 5,093	\$ 25	\$ 5,118	\$	\$	\$	\$ 211,128
Due to other funds			-		(634,119)		358,436
Deferred revenue			-				362,565
Advances from other funds		150,000	150,000		(150,000)		-
Total liabilities	5,093	150,025	155,118	-	(784,119)		932,129
Fund Balances:							
Reserved for:							
Inventories	150,000		150,000				17,020
Advances			-				150,000
Encumbrances			-				184,195
Endowments			-	15,500			15,500
Unreserved	453,907	(80,106)	373,801	1,314			5,568,990
Total fund balances	603,907	(80,106)	523,801	16,814	-		5,935,705
Total Liabilities and Fund Balances	\$ 609,000	\$ 69,919	\$ 678,919	\$ 16,814	\$ (784,119)	\$	\$ 6,867,834

TOWN OF EAST HAMPTON, CONNECTICUT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2007

	Septage Disposal	Water System	Public Safety	Special Revenue			Education Grant	Health Insurance Reserve	Public Works
				Culture and Recreation	School Cafeteria				
Revenues:	\$	\$	\$	\$	\$	\$	\$	\$	\$
Assessments	97,300		1,607	36,673	98,754	532,667			154,114
Intergovernmental		30,421	55,732	258,038	1,498	19,991			
Charges for services	6,522	314	3,172	2,607	431,280	10,786		67,931	30,343
Income from investments			11,929	8,472					
Contributions and donations									
Licenses, permits and fees									
Miscellaneous		667		286		10,784			
Total revenues	<u>103,822</u>	<u>31,402</u>	<u>72,440</u>	<u>306,076</u>	<u>531,532</u>	<u>574,228</u>	<u>67,931</u>		<u>184,457</u>
Expenditures:									
Current:									
General government									
Public safety			70,631					6,028	
Public works and utilities		111,727							75,857
Culture and recreation				281,447					
Civic and human services									
Education					566,091	585,784			
Debt service:									
Principal payments	44,387								
Interest and fiscal charges	5,953								
Capital outlays									
Total expenditures	<u>50,340</u>	<u>111,727</u>	<u>70,631</u>	<u>281,447</u>	<u>566,091</u>	<u>585,784</u>	<u>6,028</u>		<u>75,857</u>
Excess (Deficiency) of Revenues over Expenditures	<u>53,482</u>	<u>(80,325)</u>	<u>1,809</u>	<u>24,629</u>	<u>(34,559)</u>	<u>(11,556)</u>	<u>61,903</u>		<u>108,600</u>
Other Financing Sources (Uses):									
Transfers in		75,882			34,559				
Transfers out	<u>(46,000)</u>	<u>75,882</u>	<u>-</u>	<u>-</u>	<u>34,559</u>	<u>-</u>	<u>(581,600)</u>		<u>-</u>
Total other financing sources (uses)									
Net Change in Fund Balances	7,482	(4,443)	1,809	24,629	-	(11,556)	(519,697)		108,600
Fund Balances - Beginning of Year	79,477	17,061	66,043	126,345	34,057	238,340	519,697		563,774
Fund Balances - End of Year	<u>\$ 86,959</u>	<u>\$ 12,618</u>	<u>\$ 67,852</u>	<u>\$ 150,974</u>	<u>\$ 34,057</u>	<u>\$ 226,784</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 672,374</u>

(Continued on next page)

TOWN OF EAST HAMPTON, CONNECTICUT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)**
NON-MAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

	Special Revenue					WPCA Joint Facilities	Compensated Absences	Total
	Community Development	Miscellaneous Grant	Capital Reserve	Beneficial Assessment				
Revenues:								
Assessments	\$	\$	\$	\$	\$		\$	\$
Intergovernmental		178,117		131,081				131,081
Charges for services	3,107	40,951			1,006,622			1,099,232
Income from investments	6,491	11,922	33,903	11,678	45,623		972	1,416,360
Contributions and donations		10,496						663,544
Licenses, permits and fees								30,897
Miscellaneous			32,425	20	33,953			78,135
Total revenues	9,598	241,486	66,328	142,779	1,086,198		972	3,419,249
Expenditures:								
Current:								
General government	53,579	439,871	552,858					1,052,336
Public safety			74,915					145,546
Public works and utilities			440,544		742,422			1,370,550
Culture and recreation			44,604					326,051
Civic and human services		25,751					33,582	59,333
Education			150,009					1,301,884
Debt service:								
Principal payments					22,426			66,813
Interest and fiscal charges					7,867			13,820
Capital outlays								
Total expenditures	53,579	465,622	1,262,930	-	772,715		33,582	4,336,333
Excess (Deficiency) of Revenues over Expenditures	(43,981)	(224,136)	(1,196,602)	142,779	313,483		(32,610)	(917,084)
Other Financing Sources (Uses):								
Transfers in		430,000	1,430,351		46,000		581,600	2,598,392
Transfers out	(280,000)							(907,600)
Total other financing sources (uses)	(280,000)	430,000	1,430,351	-	46,000		581,600	1,690,792
Net Change in Fund Balances	(323,981)	205,864	233,749	142,779	359,483		548,990	773,708
Fund Balances - Beginning of Year	359,953	29,417	1,070,192	639,436	847,590		30,000	4,621,382
Fund Balances - End of Year	35,972	235,281	1,303,941	782,215	1,207,073		578,990	5,395,090

(Continued on next page)

TOWN OF EAST HAMPTON, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

	Capital Projects		Permanent	Interfund Eliminations	Total Nonmajor Governmental Funds
	WPCA Development	Public Water System	Library Trust		
Revenues:					
Assessments	\$	\$	\$	\$	\$
Intergovernmental		148,076			131,081
Charges for services					1,247,308
Income from investments	7,260		445		1,416,360
Contributions and donations					671,249
Licenses, permits and fees	166,002				30,897
Miscellaneous					166,002
Total revenues	<u>173,262</u>	<u>148,076</u>	<u>445</u>	<u>-</u>	<u>3,741,032</u>
Expenditures:					
Current:					
General government					1,052,336
Public safety					145,546
Public works and utilities					1,370,550
Culture and recreation			1062		327,113
Civic and human services					59,333
Education					1,301,884
Debt service:					
Principal payments					66,813
Interest and fiscal charges					13,820
Capital outlays	95,503	94,058			189,561
Total expenditures	<u>95,503</u>	<u>94,058</u>	<u>1,062</u>	<u>-</u>	<u>4,526,956</u>
Excess (Deficiency) of Revenues over Expenditures	<u>77,759</u>	<u>54,018</u>	<u>(617)</u>	<u>-</u>	<u>(785,924)</u>
Other Financing Sources (Uses):					
Transfers in					
Transfers out		22,983		(907,600)	1,713,775
Total other financing sources (uses)	<u>-</u>	<u>22,983</u>	<u>-</u>	<u>907,600</u>	<u>-</u>
Net Change in Fund Balances	<u>77,759</u>	<u>77,001</u>	<u>(617)</u>	<u>-</u>	<u>927,851</u>
Fund Balances - Beginning of Year	<u>526,148</u>	<u>(157,107)</u>	<u>17,431</u>	<u>-</u>	<u>5,007,854</u>
Fund Balances - End of Year	<u>\$ 603,907</u>	<u>\$ (80,106)</u>	<u>\$ 16,814</u>	<u>\$ -</u>	<u>\$ 5,935,705</u>

EXHIBIT B-3

TOWN OF EAST HAMPTON, CONNECTICUT
SCHEDULE OF SEWER ASSESSMENTS RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2007

	Uncollected July 1, 2006	Current Year Additions	Deductions and Adjustments	Net Amount Collectible	Collections			Uncollected June 30, 2007
					Assessments	Interest	Total	
Sewer assessments	\$ 152,541	\$ 65,650	\$ -	\$ 218,191	\$ 122,259	\$ 8,508	\$ 130,767	\$ 95,932

TOWN OF EAST HAMPTON, CONNECTICUT

AGENCY FUNDS

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>
Assets:				
Cash:				
Student Activity Fund	\$ 124,742	\$ 514,209	\$ 524,291	\$ 114,660
Developer Bond Fund	41,869	721	15,467	27,123
Investments:				
Student Activity Fund	139,160	29,955	4,600	164,515
Volunteer Firemen Award Fund	<u>604,862</u>	<u>116,453</u>	<u>14,301</u>	<u>707,014</u>
Total Assets	<u>\$ 910,633</u>	<u>\$ 661,338</u>	<u>\$ 558,659</u>	<u>\$ 1,013,312</u>
Liabilities:				
Due to students and others:				
Student Activity Fund	\$ 263,902	\$ 544,164	\$ 528,891	\$ 279,175
Developer Bond Fund	41,869	721	15,467	27,123
Volunteer Firemen Award Fund	<u>604,862</u>	<u>116,453</u>	<u>14,301</u>	<u>707,014</u>
Total Liabilities	<u>\$ 910,633</u>	<u>\$ 661,338</u>	<u>\$ 558,659</u>	<u>\$ 1,013,312</u>

TOWN OF EAST HAMPTON, CONNECTICUT

SCHEDULE OF DEBT LIMITATION

JUNE 30, 2007

Total tax collections (including interest and lien fees) for the current fiscal year \$ 24,144,950

Reimbursement for revenue loss on:

Tax relief for elderly 6,000BASE \$ 24,150,950

	<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	\$ 54,339,638	\$	\$	\$	\$
4-1/2 times base		108,679,275			
3-3/4 times base			90,566,063		
3-1/4 times base				78,490,588	
3 times base					72,452,850
Total debt limitation	<u>54,339,638</u>	<u>108,679,275</u>	<u>90,566,063</u>	<u>78,490,588</u>	<u>72,452,850</u>

Indebtedness:

Bonds and notes payable	3,734,800	5,823,000	654,235		
Authorized, unissued debt	<u>2,634,000</u>	<u>425,000</u>			
Total indebtedness	6,368,800	6,248,000	654,235	-	-

Less school construction grants

	<u>2,869,177</u>				
Net indebtedness	<u>6,368,800</u>	<u>3,378,823</u>	<u>654,235</u>	<u>-</u>	<u>-</u>

Debt Limitation in Excess of

Outstanding and Authorized Debt	<u>\$ 47,970,838</u>	<u>\$ 105,300,452</u>	<u>\$ 89,911,828</u>	<u>\$ 78,490,588</u>	<u>\$ 72,452,850</u>
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Notes: 1) In no case shall total indebtedness exceed seven times annual receipts from taxation (\$169,056,699).

2) Schedule does not include Water bonds of \$662,200.