

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

of the

**TOWN OF EAST HAMPTON,
CONNECTICUT**

YEAR ENDED

JUNE 30, 2014

**PREPARED BY:
THE FINANCE DEPARTMENT**

JEFFERY M. JYLKKA, FINANCE DIRECTOR

Town of East Hampton, Connecticut

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Introductory Section

Town of East Hampton, Connecticut

List of Principal Officials
June 30, 2014

TOWN COUNCIL

Barbara W. Moore, Chairperson
Kevin Reich, Vice Chairman
Patience Anderson
Ted Hintz, Jr.
George Pfaffenbach
Mark Philhower
Philip Visintainer

BOARD OF FINANCE

Ted Turner, Chairman
Dean Markham, Vice Chairperson
Donald Coolican
Mary Ann Dostaler
Alan Hurst
Dave Monighetti
Lori Wilcox

BOARD OF EDUCATION

Kenneth Barber, Chairman
Jeffrey Carlson
Debra Devin
Emily Fahle
Christopher Goff
Steven Kelley
William Marshall
Scott Minnick
Josh Piteo

Superintendent of Schools

Diane Dugas

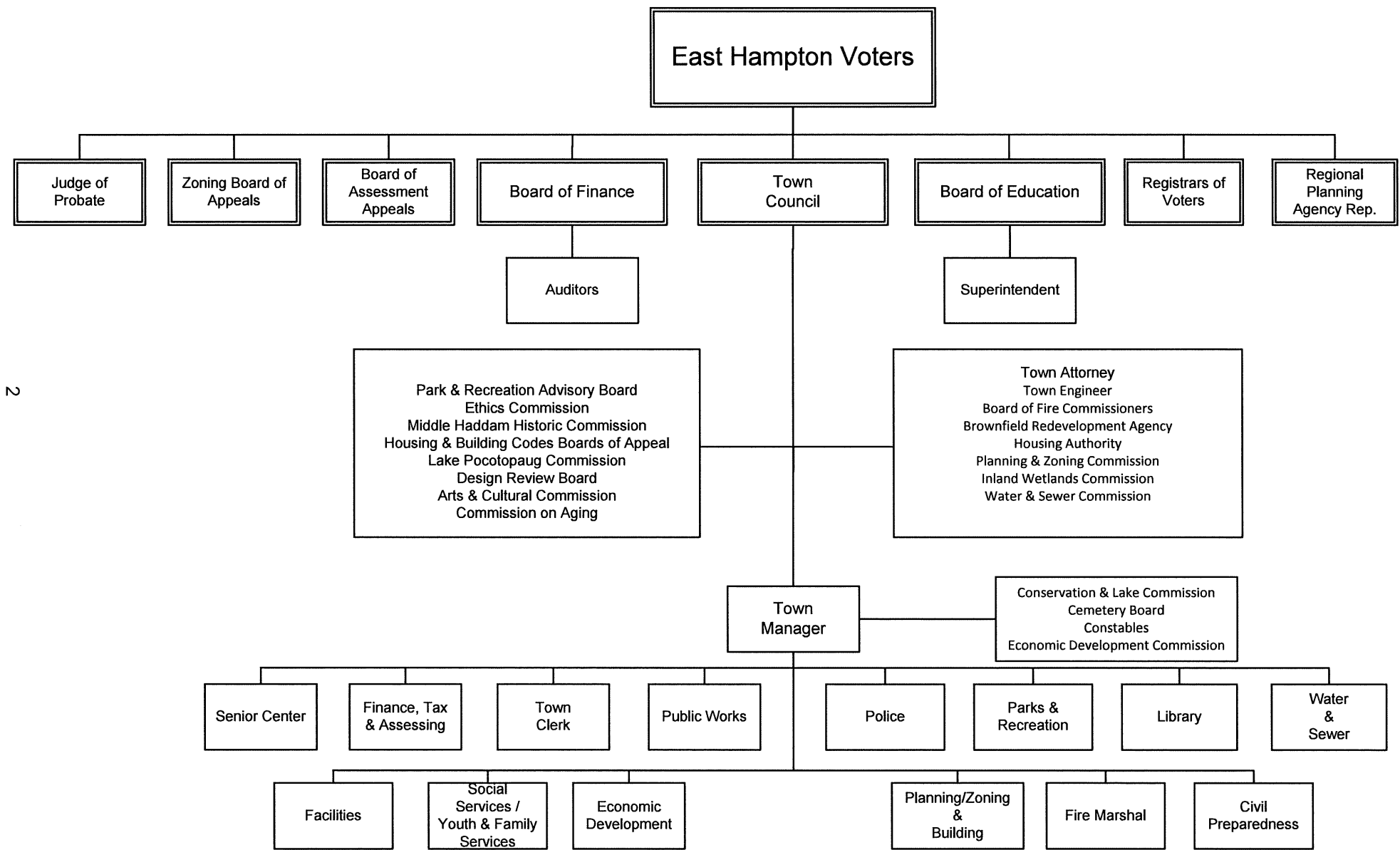
EAST HAMPTON ADMINISTRATIVE OFFICIALS

Michael Maniscalco, Town Manager

Library Director
Planning, Zoning and Building Administrator
Police Chief
Senior Center Director
Director of Finance
Fire Marshal
Director of Parks & Recreation
Director of Youth & Family Services
Public Works Superintendent
Public Utilities Administrator
Fire Chief
Town Clerk

Susan M. Berescik
James P. Carey
Sean Cox
Jo Ann H. Ewing
Jeffery M. Jylkka
Rich Klotzbier
Ruth Plummer
Wendy Regan
Philip Sissick
Vincent F. Susco, Jr.
Greg Voelker
Sandra M. Wieleba

Town of East Hampton, Connecticut
Organizational Chart





TOWN OF EAST HAMPTON
20 East High Street
East Hampton, CT 06424

Office of the FINANCE DIRECTOR

JEFFERY JYLKKA, CPA

jjylkka@easthamptonct.gov

December 24, 2014

To the Town Manager, Members of the Town Council, Members of the Board of Finance and Citizens of the Town of East Hampton, Connecticut.

The Finance Department is pleased to present the Comprehensive Annual Financial Report (CAFR) of the Town of East Hampton for the year ended June 30, 2014. The report includes the independent auditor's report as required by Connecticut Statutes. The report is prepared in conformity with generally accepted accounting principles (GAAP) and standards set forth by the Governmental Accounting Standards Board (GASB).

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Town. Management of the Town is responsible for establishing and maintaining internal controls designed to ensure that the assets of the Town are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the calculation of costs and benefits requires estimates and judgments by management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

CohnReznick LLP, a public accounting firm fully licensed and qualified to perform audits of municipalities within the State of Connecticut, have audited the financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of East Hampton, Connecticut for the fiscal year ended June 30, 2014, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Town of East Hampton's financial statements for the fiscal year ended June 30, 2014, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Town was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Town's separately issued Single Audit Report.

Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Town's MD&A can be found immediately following the independent auditor's report.

Profile of the Town of East Hampton

The Town covers an area of 36.8 square miles in east central Connecticut and is on the east bank of the Connecticut River, approximately 21 miles south of Hartford. East Hampton's topography is dominated by numerous hills interspersed with winding stream valleys and level wetland areas. The Town is traversed by State Routes 16, 66, 151, and 196. Route 66 provides access to Route 2 and Hartford as well as Middletown. There are approximately 91 miles of Town roads. The State maintains approximately 35 miles of highway in East Hampton. The 2014 population was 12,912. The Town was originally settled in 1710.

The Town of East Hampton has a Council-Manager form of government with a Town Council consisting of seven elected members serving concurrent two-year terms and a Board of Finance consisting of seven elected regular members serving overlapping four-year terms. Powers and privileges are conferred and granted to the Town by the Connecticut General Statutes and a Charter which was adopted in 1971, effective 1973 and revised in 1987. The legislative power of the Town is vested with the Town Council and the Town Meeting, which must approve the annual budget, all special appropriations or expenditures, and all bond and note authorizations. The Town Manager is the chief executive officer and chief administrative officer of the Town and is responsible for the administration of all Town matters with the exception of the education system.

The financial administrator of the Town is the Director of Finance. The Director of Finance serves as Treasurer for the Town and Board of Education and is responsible for the operation and supervision of the Department of Finance. The Director of Finance has full supervisory responsibilities for the keeping of accounts and financial records; the receipt of operating and other revenues; the custody and disbursement of Town and Board of Education funds and money; the control over expenditures and budget functions. The Collector of Revenue and the Assessor work under the supervision of the Director of Finance. The Assessor's Office discovers lists and prices real estate, personal property and motor vehicles for the purpose of taxation. The Tax Collector's Office bills, collects, processes and deposits taxes, interest and fees on all taxable property in the Town.

The annual budget serves as the foundation for the Town's financial planning and control. The Town maintains budgetary controls with the objectives to ensure compliance with legal provisions embodied in the annual appropriated budget, approved by the budget referendum. The Town maintains an encumbrance accounting system as one technique of accomplishing budgetary controls. As demonstrated by the budgetary schedules included in the financial section of this report, the Town continues to meet its responsibility for sound financial management. In addition to budgetary schedules, Exhibit L (II) A in the Notes to the Financial Statements describes the budget process used by the Town.

Local Economy and Major Initiatives

East Hampton is a residential community with a light industrial tax base and limited seasonal resorts. Principal industries include manufacture of bells, pharmaceuticals, tools and dies, and forestry. East Hampton has been fortunate that foreclosure rates are below regional, state and national levels. Unemployment rates have decreased significantly from 7.5% to 4.8% and are below regional, state and national levels. East Hampton's existing development has occurred primarily on the major roadways, Routes 16, 151, and particularly, Route 66.

Principal non-residential development has occurred in three historic centers – Cobalt, Middle Haddam, and East Hampton Center. High-density residential development is concentrated around East Hampton Center and Lake Pocotopaug. Approximately 720 acres remain as active farmland, mostly as field crops.

A \$51,695,000 High School renovation project was approved by the voters on June 4, 2013 and construction began in November 2014. The acquisition of a Pierce triple pumper for the Fire Department was completed during the year. The vehicle was financed with bonds. The Town utilized fund balance for the acquisition of a 2011 Pierce tanker for the Fire Department and the installation of athletic field lights at the High School. Engineering for phases 2 and 3 of a major road improvement program is complete with construction beginning in July 2014. Phase IV will begin during fiscal year 2016. The Christopher Brook culvert replacement and Brewer Road pavement rehabilitation projects have begun. These projects are estimated to cost \$512,000 and \$408,500, respectively, and will be funded by federal and state grants along with local tax dollars. These projects are anticipated to be complete during fiscal year 2016.

Residential housing values throughout the Town have increased slightly compared to a year ago. Building permits for residential and commercial development have decreased slightly compared to last year.

The Town of East Hampton is well positioned to accept and meet the challenges posed by the 21st century. The Town has a low debt burden which is planned for quick retirement; and its pension plans remain at high funding levels. Conservative budgeting practices has enabled the Town to maintain its unassigned fund balance, which represents 12.2% of general fund expenditures and transfers out. These facts are echoed within the municipal credit industry. The Town maintained its "Aa3" debt rating from Moody's Investor Service and "AA+" from Standard & Poor's Ratings Services.

Long-Term Financial Planning

The Town through its Capital Committee prepares a five year capital improvement plan for the acquisition, new construction, and repair and replacement of municipal facilities and equipment. The purpose of this plan is to maintain the Town's infrastructure and make improvements to and/or add community facilities to enhance the Town's overall image and services it provides to Town residents.

The Town issued \$3,885,000 of long-term debt on August 15, 2013 to finance the Memorial School roof, and oil tank replacement projects, a fire truck and road improvement projects. The Town also issued \$16,415,000 of bond anticipation notes to temporarily finance the High School renovation and road improvement projects.

Relevant Financial Policies

The Town's financial policies have been applied consistently with the prior year and had no notable current year effect on the financial statements. A use of fund balance policy was established by the Board of Finance and Town Council, the overall purpose was to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time emergency expenditures. The fund balance policy goal is to maintain General Fund unassigned fund balance between 8-10% of budgeted operating expenditures.

The Town also approved a capital improvement and debt policy to establish parameters and guidance for the Board of Finance and Town Council to make decisions on capital spending and issuance of debt as a means to fund them.

There were no developments at the State level that impacted the current year financial statements.

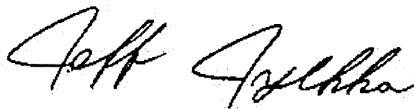
Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013, which was the third award the Town has received. In order to be awarded a Certificate of Achievement, the Town published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. Each member has my sincere appreciation for their contributions made in the preparation of this report. In particular, Teresa Shulman, who continued to provide service above and beyond expectations and at the highest level of professionalism. We also appreciate the professional service and assistance rendered by CohnReznick LLP.

This comprehensive annual financial report reflects a commitment to the citizens of East Hampton, the Town Council, the Board of Finance, and all concerned readers of this report, to provide information in conformance with the highest standards of financial accountability.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jeff Jylkka", written in a cursive style.

Jeffery M. Jylkka
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Town of East Hampton
Connecticut**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

Financial Section

Independent Auditor's Report

Board of Finance
Town of East Hampton, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of East Hampton, Connecticut, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of East Hampton, Connecticut, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and other post-employment benefit plan schedules on pages 11 to 20 and pages 64 to 70, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of East Hampton, Connecticut's basic financial statements. The introductory section, supplemental schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 2014, on our consideration of the Town of East Hampton, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of East Hampton, Connecticut's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CohnReznick LLP". The signature is written in a cursive, flowing style.

Hartford, Connecticut
December 24, 2014



TOWN OF EAST HAMPTON

20 East High Street
East Hampton, CT 06424

Michael Maniscalco

Town Manager
860.267.4468

Jeffery M. Jylkka

Finance Director
860.267.7548

Management's Discussion and Analysis Year Ended June 30, 2014

As management of the Town of East Hampton, we offer readers of the Town of East Hampton's financial statements this narrative overview and analysis of the financial activities of the Town of East Hampton for the fiscal year ended June 30, 2014.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$84,973,094 (*net position*). Of this amount, \$11,629,781 (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$1,503,713. The increase is due substantially to capital assets additions in excess of depreciation expense.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$12,760,771, a decrease of \$460,968 in comparison with the prior year. This decrease is a result of deficit net change in fund balance in the capital initiatives fund of \$858,055 offset by positive operations in the capital reserve fund of \$444,295. The Capital Initiatives deficit was due substantially to the high school renovation project which is currently being financed with internal resources until BANS/bonds are issued to fund the project. Of the total fund balance, \$7,888,262 is nonspendable, restricted, committed or assigned, leaving an *unassigned fund balance* in the amount of \$4,872,509.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,872,509, a decrease of \$1,303 in comparison with the prior year. This represents 12.2% of total budgetary general fund expenditures and transfers out.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of East Hampton'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 financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The *statement of net position* and *statement of activities* report information about the Town as a whole and about its activities in a way that helps answer this question.

These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

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

You will need to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the overall health of the Town.

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event 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).

The government-wide financial statements present the functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Town include general government, public safety, public works and utilities, culture and recreation, civic and human services, regulatory and education.

Fund financial statements. The fund financial statements provide detailed information about the most significant funds; not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Town establishes many other funds to help it maintain control and manage money that have been segregated for specific activities or objectives. Funds are also established to ensure and demonstrate compliance with finance related legal requirements for using certain grants. All of the funds of the Town can be divided into three categories: governmental funds, proprietary 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 a 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 reports 21 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 balances for the general fund, capital initiatives fund and capital reserve fund all of which are considered to be major funds. Data from the other 18 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 in Schedules 5 and 6 in this report.

The Town adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary fund. The Town maintains two proprietary funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses an internal service fund to account for its self-insured dental benefits and Board of Education retiree medical benefits. Because these services predominantly benefit governmental functions, they have been included within governmental activities in the government-wide financial statements.

The data for the internal service funds is provided in Exhibits G, H and I of this report.

Fiduciary funds. The Town is the trustee, or fiduciary, for its employees' pension plan. It is also responsible for other assets that, because of a trust agreement, can be used only for the trust beneficiaries. All of the Town's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position (Exhibits J and K). We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's pension funds as required by GASB 67.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found in Schedules 5 and 6 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. The Town's combined net position increased by 1.8% from a year ago – increasing from \$83,469,381 to \$84,973,094.

By far the largest portion of the Town's net position (84.26%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment and infrastructure), 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.

**Summary Statement of Net Position
June 30, 2014 and 2013**

	2014	2013
Current and other assets	\$ 20,552,811	\$ 19,833,462
Capital assets, net	80,099,384	78,248,847
Total assets	100,652,195	98,082,309
Deferred outflows of resources:		
Deferred charge on refunding	19,050	44,453
Long-term liabilities outstanding	10,987,823	10,989,072
Other liabilities	4,710,328	3,668,309
Total liabilities	15,698,151	14,657,381
Net investment in capital assets	71,600,194	69,287,816
Restricted	1,743,119	2,241,000
Unrestricted	11,629,781	11,940,565
Total net position	\$ 84,973,094	\$ 83,469,381

A portion of the Town's net position (2.05%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (13.69%) may be used to meet the Town's ongoing obligations to citizens and creditors.

The Town's net position increased by \$1,503,713. Key elements of this increase are as follows:

**Statement of Changes in Net Position
Years Ended June 30, 2014 and 2013**

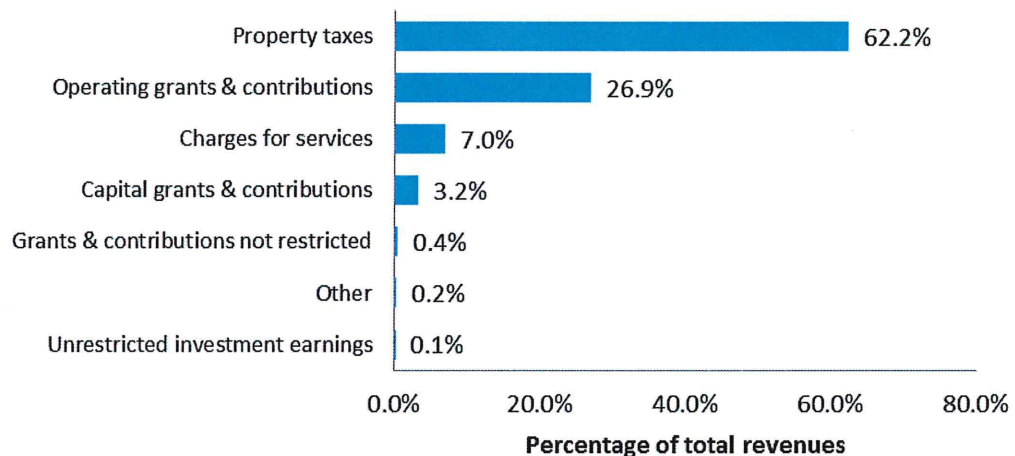
	2014	2013
Revenues:		
Program revenues:		
Charges for services	\$ 3,420,515	\$ 3,332,163
Operating grants and contributions	13,204,237	12,414,880
Capital grants and contributions	1,570,666	981,075
General revenues:		
Property taxes	30,545,568	29,729,485
Grants and contributions not restricted to specific programs	218,407	227,704
Investment income	37,313	65,317
Other	112,659	107,431
Total revenues	49,109,365	46,858,055
Expenses:		
General government	2,607,793	2,663,044
Public safety	2,941,474	2,618,870
Civic and human services	727,068	458,228
Public works and utilities	5,188,262	5,297,481
Education	33,743,421	32,105,361
Regulatory	458,302	436,731
Culture and recreation	1,654,876	1,303,462
Interest	284,456	196,684
Total expenses	47,605,652	45,079,861
Change in net position	1,503,713	1,778,194
Net position - July 1	83,469,381	81,691,187
Net position - June 30	<u>\$ 84,973,094</u>	<u>\$ 83,469,381</u>

- The \$816,083 increase in property taxes was due to increase in the budget and, therefore, the related tax levy.
- Operating grants and contributions increased by \$789,357 substantially due to an increase in the Town Aid Road and related grants and education grants as compared to the prior year.
- Capital grants and contributions increased by \$589,591 substantially due to the grants received during the year for the Chatham Acres Housing project (CDBG) and the grant for the Epoch Arts Center (STEAP).

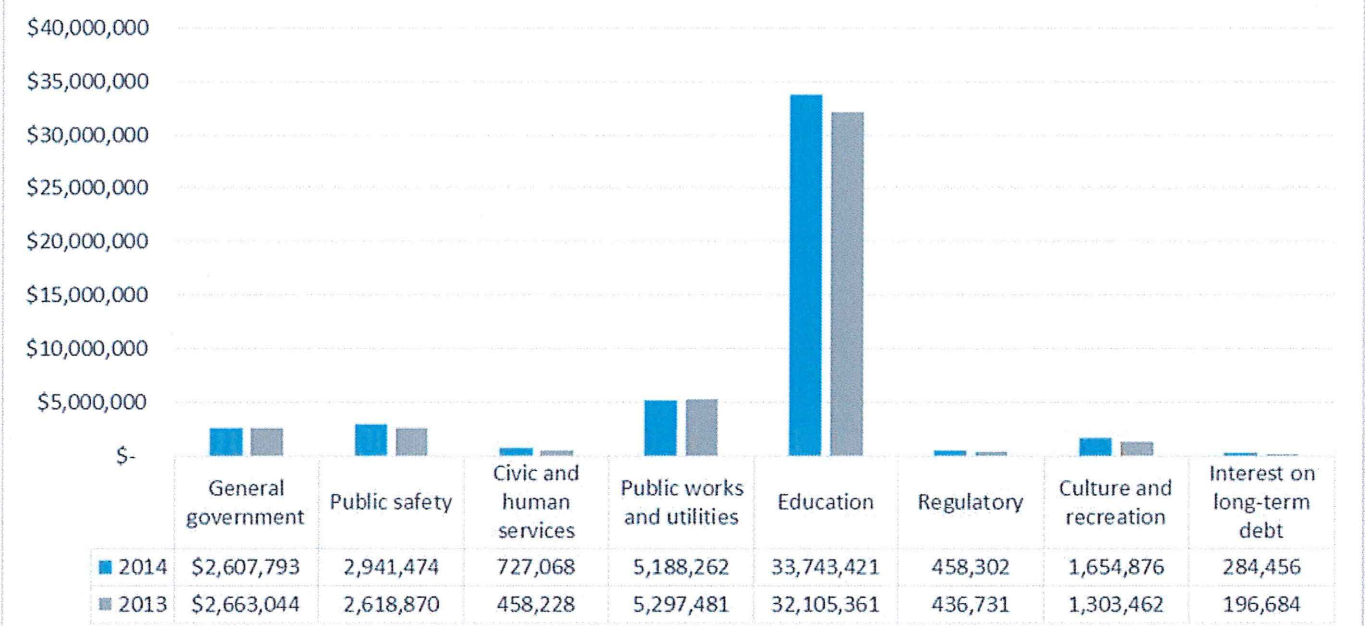
Management's Discussion and Analysis (continued)

- Public safety expenses increased by \$322,604 due to several factors such as increased depreciation expense, increase employee benefit expense and increase in non capitalized capital reserve fund activity.
- Civic and human services increased by \$268,840 due to expenses related to the Chatham Acres project that was started during the year.
- Education expenses increased by \$1,638,060 primarily as a result of increases in contractual obligations, including teachers' salaries and benefits and retirement plan contributions made by the State on-behalf of the Town's teachers.
- Culture and recreation expenses increased by \$351,414 due to the Epoch Arts Center projects noted above.

Revenue by Source - Governmental Activities



Expenses by Function - Governmental Activities



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, unassigned fund balance may serve as a useful measure of a 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 \$12,760,771. \$7,888,262 is not available for new spending because it has already been classified as 1) nonspendable (\$15,500) for the library endowment, 2) restricted (\$1,727,619), 3) committed (\$5,912,955) and 4) assigned (\$232,188).

The total fund balance decreased by \$460,968 to \$12,760,771. This decrease is a result of deficit net change in fund balance in the capital initiatives fund of \$858,055 offset by positive operations in the capital reserve fund of \$444,295. The Capital Initiatives deficit was due substantially to the high school renovation project which is currently being financed with internal resources until BANS/bonds are issued to fund the project.

The general fund is the operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,872,509. As a measure of the general fund's liquidity, it is useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 12.2% of total general fund expenditures and transfers out.

Capital Initiatives Fund. This fund accounts for financial resources to be used for the acquisition of major equipment or construction of facilities. The capital initiatives fund's expenditures exceeded its revenues by \$858,055 substantially as a result of the expenditures for the high school renovation project, which are initially being financed internally until BANS/bonds are issued.

Capital Reserve Fund. This fund accounts for financial resources to be used for capital and non-recurring projects. The primary source of funding is an annual appropriation from the general fund. The capital reserve fund's revenues and transfers exceeded its expenditures by \$444,295 as a result of timing of funding and capital purchases.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$1,065,931. The increase in budget is due to revised revenue estimates approved for the supplemental appropriation to the Board of Education for the special education excess cost grant of \$554,931 and the use of fund balance of \$511,000 to transfer additional monies to the Capital Reserve Fund. The additional \$511,000 was utilized for the following projects:

- Installation of athletic field lights at the High School (\$200,000)
- Acquisition of a tanker for the Fire Department (\$251,000)
- Extension of a water line in the Village Center (\$60,000)

Other significant transfers done during the year were as follows:

- The legal defense/fee account received transfers of \$43,245 from the employee benefits and insurance accounts for litigation and labor negotiation costs.
- Planning and Zoning received transfers of \$26,350 from the employee benefits for costs associated with the demolition of property on Day Point Road.

Capital Assets and Debt Administration

Capital assets. At June 30, 2014, the Town of East Hampton's capital assets totaled \$80,099,384, net of accumulated depreciation. This includes land, buildings, land improvements, machinery and equipment, roads, bridges, intangible assets and construction in progress. The increase in the Town's capital assets for the current fiscal year was \$1,850,537 or (2.36%). This increase is largely due to the increase in construction in progress, primarily for the High School renovation project of \$2,013,691.

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

- Machinery and equipment additions of \$1,324,382 which included the following:
 - 2014 Pierce Pumper on a Arrow XT chassis (\$634,899)
 - 2011 Pierce Tanker (\$250,617)
 - Tiger "Bengal Brute" Mower (\$108,904)
 - 2014 Ford Utility Police Vehicle (\$31,978)
- Building additions of \$155,177 which included the following:
 - Electrical wiring upgrades for generators at various Town buildings (\$133,527)
 - Vehicle exhaust upgrades to the Fire Department buildings (\$21,650)

Capital Assets (Net of Accumulated Depreciation)

	2014	2013
Land	\$ 2,343,992	\$ 2,343,992
Intangible assets	716,250	724,600
Construction in progress	3,885,883	1,753,609
Buildings	31,403,981	32,235,661
Improvements other than buildings	159,153	617
Machinery and equipment	4,530,950	3,702,842
Infrastructure	37,059,175	37,487,526
Total	\$ 80,099,384	\$ 78,248,847

Additional information on the Town's capital assets can be found in Note III. C.

Long-term debt. At the end of the current fiscal year, the Town had total bonded debt outstanding of \$8,250,000. The decrease of \$90,000 from prior year is due to the issuance of bonds of \$745,000 net with annual principal debt payments. All debt is backed by the full faith and credit of the Town. The remainder of the Town's debt represents notes totaling \$210,815 due to the State of Connecticut Clean Water Fund.

**Outstanding Debt
Long-Term Obligations**

	2014	2013
General obligation bonds	\$ 8,250,000	\$ 8,340,000
Clean water notes	210,815	236,611
Total	<u>\$ 8,460,815</u>	<u>\$ 8,576,611</u>

The Town maintains a "AA+" bond rating from Standard and Poor's and a "Aa3" rating from Moody's Investor Service.

State statutes limit the amount of general obligation debt a governmental entity may issue to 7 times total tax collections including interest and lien fees. The current debt limitation for the Town is \$211,140,356, which is significantly in excess of the Town's outstanding general obligation debt.

Additional information on the Town's long-term debt can be found in Note III. F.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the Town is currently 4.8%. This is lower than both the state's average unemployment rate of 6.5% and the Hartford Labor Market rate of 6.7%. The Town is below the national average of 6.1%.
- Inflationary trends in the region compare favorably to national indices.
- Connecticut's economic and business growth remains flat. This lack of growth will have a negative impact on the amount of revenue the state receives from taxes. This will affect the amount of intergovernmental revenues the Town will receive in fiscal year 2015 and thereafter.
- The total number of building permits for fiscal year 2014 increased from 777 to 860, or 10.7% over last fiscal year. The increase in permits issued was muted by the overall value of permits issued with the total value of the permits decreasing from \$9.7M to \$9.4M. The decrease in the value of permits will have a minor negative affect on fee revenue in the building department, as well as the Town Clerk's department.
- Interest rates remain at historical lows and as a result investment income has been reduced.

All of these factors were considered in preparing the Town's budget for the 2015 fiscal year.

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. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director's Office, Town of East Hampton, 20 East High Street, East Hampton, CT 06424.

Basic Financial Statements

Town of East Hampton, Connecticut

Statement of Net Position
Governmental Activities
June 30, 2014

<u>Assets</u>	
Current assets:	
Cash	\$ 10,542,887
Investments	4,616,345
Receivables:	
Property taxes	712,514
Assessments	151,745
Intergovernmental	1,297,725
Loans	4,100
Other	63,368
Other assets	19,493
	<hr/>
Total current assets	17,408,177
	<hr/>
Noncurrent assets:	
Restricted assets:	
Temporarily restricted investments	827
Permanently restricted investments	15,500
	<hr/>
Total restricted assets	16,327
	<hr/>
Receivables (net):	
Property taxes	1,315,661
Assessments	186,003
Loans	173,432
	<hr/>
Total receivables (net)	1,675,096
	<hr/>
Other noncurrent assets:	
Net pension asset	1,453,211
	<hr/>
Capital assets (net of accumulated depreciation):	
Land	2,343,992
Intangible assets (net of accumulated amortization)	716,250
Construction in progress	3,885,883
Buildings	31,403,981
Improvements other than buildings	159,153
Machinery and equipment	4,530,950
Infrastructure	37,059,175
	<hr/>
Total capital assets (net of accumulated depreciation)	80,099,384
	<hr/>
Total noncurrent assets	83,244,018
	<hr/>
Total assets	100,652,195
	<hr/>

(Continued)

Town of East Hampton, Connecticut

Statement of Net Position
Governmental Activities
June 30, 2014

Deferred Outflows of Resources

Deferred charge on refunding	\$ 19,050
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Liabilities

Current liabilities:

Accounts payable and other liabilities	2,565,651
Accrued payroll	503,229
Accrued interest payable	110,482
Unearned revenue	330,275
Bonds and notes payable	1,070,796
Compensated absences	129,895

Total current liabilities	4,710,328
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Noncurrent liabilities:

Bonds, notes and related liabilities	7,447,444
Compensated absences	1,249,461
Net OPEB obligation	1,540,918
Environmental obligation	750,000

Total noncurrent liabilities	10,987,823
------------------------------	------------

Total liabilities	15,698,151
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Net Position

Net investment in capital assets	71,600,194
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Restricted for:

Endowments:

Expendable	827
Nonexpendable	15,500

Public works	1,359,653
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Education	367,139
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Unrestricted	11,629,781
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Total net position	\$ 84,973,094
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(Concluded)

See Notes to Financial Statements.

Town of East Hampton, Connecticut

Statement of Activities
Governmental Activities
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$ 2,607,793	\$ 330,789	\$ 49,963	\$	\$ (2,227,041)
Public safety	2,941,474	82,916	12,993		(2,845,565)
Civic and human services	727,068	1,250	16,137		(709,681)
Public works and utilities	5,188,262	2,190,984	343,126		(2,654,152)
Education	33,743,421	462,261	12,774,120	1,302,257	(19,204,783)
Regulatory	458,302	146,059			(312,243)
Culture and recreation	1,654,876	206,256	7,898	268,409	(1,172,313)
Interest expense	284,456				(284,456)
Total	\$ 47,605,652	\$ 3,420,515	\$ 13,204,237	\$ 1,570,666	\$ (29,410,234)
General Revenues:					
Property taxes					\$ 30,545,568
Grants and contributions not restricted to specific programs					218,407
Investment income					37,313
Miscellaneous					112,659
Total general revenues					30,913,947
Change in net position					1,503,713
Net position - July 1, 2013					83,469,381
Net position - June 30, 2014					\$ 84,973,094

Town of East Hampton, Connecticut

Balance Sheet
Governmental Funds
June 30, 2014

	General	Capital Initiatives	Capital Reserve	Other Governmental Funds	Total
<u>Assets</u>					
Cash	\$ 4,641,846	\$ 3,135,700	\$	\$ 2,541,471	\$ 10,319,017
Investments	2,769,917			1,862,755	4,632,672
Receivables:					
Property taxes	1,588,947				1,588,947
Assessments and user charges				288,365	288,365
Intergovernmental		997,302		157,150	1,154,452
Loans				209,607	209,607
Other	32,406		17,600	13,362	63,368
Due from other funds	12,129	921,082	2,981,557	603,158	4,517,926
Other	6,829			12,664	19,493
Total assets	\$ 9,052,074	\$ 5,054,084	\$ 2,999,157	\$ 5,688,532	\$ 22,793,847
<u>Liabilities</u>					
Accounts and other payables	\$ 1,041,795	\$ 1,284,743	\$ 26,749	\$ 190,343	\$ 2,543,630
Accrued payroll	503,229				503,229
Due to other funds	1,048,482	3,378,699		288,245	4,715,426
Unearned revenue	143,273	74,996		112,006	330,275
Total liabilities	2,736,779	4,738,438	26,749	590,594	8,092,560
<u>Deferred Inflows of Resources</u>					
Unavailable revenue - property taxes	1,442,786				1,442,786
Unavailable revenue - water charges				6,263	6,263
Unavailable revenue - loans				209,607	209,607
Unavailable revenue - sewer assessment and use charges				281,860	281,860
Total deferred inflows of resources	1,442,786	-	-	497,730	1,940,516
<u>Fund Balances</u>					
Nonspendable				15,500	15,500
Restricted				1,727,619	1,727,619
Committed		315,646	2,972,408	2,624,901	5,912,955
Assigned				232,188	232,188
Unassigned	4,872,509				4,872,509
Total fund balances	4,872,509	315,646	2,972,408	4,600,208	12,760,771
Total liabilities, deferred inflows of resources and fund balances	\$ 9,052,074	\$ 5,054,084	\$ 2,999,157	\$ 5,688,532	\$ 22,793,847

(Continued)

Town of East Hampton, Connecticut

**Reconciliation of Fund Balance
to Net Position of Governmental Activities
June 30, 2014**

Amounts reported for governmental activities in the statement of net position (Exhibit A) are different from the governmental fund balance sheet. The details of this difference are as follows:

Total fund balance (Exhibit C, page 1)	\$ 12,760,771
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Beginning capital assets	78,248,847
Current capital asset additions (net of construction in progress)	3,776,975
Depreciation expense	(1,911,168)
Disposal and sale of capital assets	(15,270)
Other long-term assets are not available resources and, therefore, are not reported in the funds:	
Property tax and sewer assessment interest and lien accrual	614,611
School building grant receivable	143,273
Allowance for doubtful accounts	(158,075)
Net pension asset	1,453,211
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds:	
Property tax, sewer assessment, and loans receivable - accrual basis change	1,940,516
Internal service funds are used by management to charge the cost of insurance premiums and benefits to individual departments:	
The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position	399,349
Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds and notes payable	(8,460,815)
Premium	(57,425)
Compensated absences	(1,379,356)
Net OPEB obligation	(1,540,918)
Environmental obligation	(750,000)
Deferred charge on refunding	19,050
Accrued interest payable	(110,482)
Net position of governmental activities (Exhibit A)	\$ <u>84,973,094</u>
	(Concluded)

See Notes to Financial Statements

Town of East Hampton, Connecticut

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

	General	Capital Initiatives	Capital Reserve	Other Governmental Funds	Total
Revenues:					
Property taxes	\$ 30,227,688	\$	\$	\$	\$ 30,227,688
Intergovernmental	12,505,757	1,302,257	15,472	1,126,254	14,949,740
Charges for services	529,458	2,537	5,944	2,781,929	3,319,868
Income from investments	18,492		4,988	13,833	37,313
Contributions and donations			28,714	35,000	63,714
Miscellaneous	21,371	2,500	545	78,822	103,238
Total revenues	43,302,766	1,307,294	55,663	4,035,838	48,701,561
Expenditures:					
Current:					
General government	3,441,343		31,985	82,670	3,555,998
Public safety	2,178,837	3,585	83,041	120,380	2,385,843
Public works and utilities	2,028,772	21,907	9,041	1,873,201	3,932,921
Culture and recreation	943,055		6,229	443,423	1,392,707
Civic and human services	383,307	262,734		33,715	679,756
Regulatory	378,159				378,159
Education	31,395,954	14,339	159,597	1,220,234	32,790,124
Debt service	1,076,026			30,293	1,106,319
Capital outlay		2,767,173	823,650	139,989	3,730,812
Total expenditures	41,825,453	3,069,738	1,113,543	3,943,905	49,952,639
Excess (deficiency) of revenues over expenditures	1,477,313	(1,762,444)	(1,057,880)	91,933	(1,251,078)
Other financing sources (uses):					
Issuance of debt		745,000			745,000
Premium on bonds		35,689			35,689
Sale of equipment	9,421				9,421
Transfers in	34,879	123,700	1,537,054	88,267	1,783,900
Transfers out	(1,522,916)		(34,879)	(226,105)	(1,783,900)
Total other financing sources (uses)	(1,478,616)	904,389	1,502,175	(137,838)	790,110
Net change in fund balances	(1,303)	(858,055)	444,295	(45,905)	(460,968)
Fund balances - July 1, 2013	4,873,812	1,173,701	2,528,113	4,646,113	13,221,739
Fund balances - June 30, 2014	\$ 4,872,509	\$ 315,646	\$ 2,972,408	\$ 4,600,208	\$ 12,760,771

See Notes to Financial Statements

Town of East Hampton, Connecticut

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

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are due to:

Net change in fund balances - Total Governmental Funds (Exhibit D) \$ (460,968)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlay	3,776,975
Depreciation expense	<u>(1,911,168)</u>

Total	<u>1,865,807</u>
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The net effect of various miscellaneous transactions involving capital assets (i. e., sales, trade-ins and donations) is to increase net position. In the Statement of Activities, only the *loss* on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold.

Disposal of capital assets	<u>(15,270)</u>
----------------------------	-----------------

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds and revenues recognized in the Fund Financial Statements are not recognized in the statement of activities:

School building grant receipts	(20,144)
Change in property tax, sewer assessment, and community development block grant receivable - accrual basis change	306,060
Change in property tax and sewer assessment interest and lien revenue	142,467
Change in property tax and sewer assessment allowance for doubtful accounts	<u>(30,000)</u>

Total	<u>398,383</u>
-------	----------------

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 position. Also, governmental funds report the effect of 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 these differences in the treatment of long-term debt and related items are as follows:

Debt issued or incurred:	
General obligation bonds and notes	(745,000)
Bond premium	(35,689)
Principal repayments:	
General obligation bonds and notes	<u>860,796</u>

Total	<u>80,107</u>
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(Continued)

Town of East Hampton, Connecticut

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

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:

Amortization of bond premium	\$ 12,137
Compensated absences	(27,762)
Net OPEB obligation	(295,000)
Net pension asset	16,880
Accrued interest payable	(25,667)
Amortization of deferred charges	<u>(25,403)</u>
Total	<u>(344,815)</u>
Internal Service Funds are used by management to charge costs of various self-insured risk premiums to individual departments	<u>(19,531)</u>
Change in net position of Governmental Activities (Exhibit B)	\$ <u>1,503,713</u>

(Concluded)

Town of East Hampton, Connecticut

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Property taxes	\$ 30,266,754	\$ 30,266,754	\$ 30,227,688	\$ (39,066)
Intergovernmental	8,460,354	9,015,285	9,119,082	103,797
Charges for services	469,067	469,067	529,458	60,391
Investment income	32,000	32,000	18,492	(13,508)
Miscellaneous	9,800	9,800	21,371	11,571
Total revenues	39,237,975	39,792,906	39,916,091	123,185
Expenditures:				
Current:				
General government	3,737,674	3,565,789	3,441,343	124,446
Public safety	2,213,807	2,214,962	2,178,837	36,125
Public works	2,036,004	2,036,004	2,028,772	7,232
Regulatory	368,664	395,084	378,159	16,925
Health and human services	393,244	393,394	383,307	10,087
Culture and recreation	985,526	987,686	943,055	44,631
Education	27,530,863	28,085,794	28,009,279	76,515
Debt service	1,102,277	1,102,277	1,076,026	26,251
Total expenditures	38,368,059	38,780,990	38,438,778	342,212
Excess (deficiency) of revenues over expenditures	869,916	1,011,916	1,477,313	465,397
Other financing sources (uses):				
Use of fund balance		511,000		(511,000)
Sale of equipment			9,421	9,421
Transfers in			34,879	34,879
Transfers out	(869,916)	(1,522,916)	(1,522,916)	-
Net other financing sources (uses)	(869,916)	(1,011,916)	(1,478,616)	(466,700)
Net change in fund balance	\$ -	\$ -	(1,303)	\$ (1,303)
Fund balance - July 1, 2013			4,873,812	
Fund balance - June 30, 2014			\$ 4,872,509	

See Notes to Financial Statements.

Town of East Hampton, Connecticut**Statement of Net Position
Proprietary Funds
June 30, 2014**

		Internal Service Funds
<hr/>		
<u>Assets</u>		
Cash	\$	223,870
Due from other funds		<u>197,500</u>
Total assets		421,370
<u>Liability</u>		
Claims payable		<u>22,021</u>
<u>Net Position</u>		
Unrestricted	\$	<u><u>399,349</u></u>

See Notes to Financial Statements.

Town of East Hampton, Connecticut**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2014**

	Internal Service Funds
Operating Revenues:	
Charges for services	<u>\$ 281,787</u>
Operating Expenses:	
Claims	277,872
Administration	<u>23,446</u>
Total Operating Expenses	<u>301,318</u>
Change in Net Position	(19,531)
Total Net Position - July 1, 2013	<u>418,880</u>
Total Net Position - June 30, 2014	<u><u>\$ 399,349</u></u>

See Notes to Financial Statements.

Town of East Hampton, Connecticut

Statement of Cash Flows
 Proprietary Funds
 Year Ended June 30, 2014

	Internal Service Funds
Cash Flows from Operating Activities:	
Cash received for charges for services	\$ 281,787
Cash paid for benefits and claims	(285,636)
Cash paid for administration	(23,446)
Net Cash Provided by (Used in) Operating Activities and Net Increase (Decrease) in Cash	(27,295)
Cash - July 1, 2013	251,165
Cash - June 30, 2014	\$ 223,870
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Operating income (loss)	\$ (19,531)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Increase (decrease) in:	
Claims payable	(7,764)
Net Cash Provided by (Used in) Operating Activities	\$ (27,295)

See Notes to Financial Statements.

Town of East Hampton, Connecticut

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2014

	Pension Trust Fund
Additions:	
Contributions:	
Employer	\$ 953,000
Plan members	413,838
Total contributions	1,366,838
Investment income (loss):	
Net change in fair value of investments	3,059,390
Interest and dividends	439,893
Total investment income (loss)	3,499,283
Less investment expenses	(43,627)
Net investment income (loss)	3,455,656
Total Additions	4,822,494
Deductions	
Benefits	1,465,203
Administration	52,123
Total Deductions	1,517,326
Change in Net Position	3,305,168
Net Position - July 1, 2013	23,826,008
Net Position - June 30, 2014	\$ 27,131,176

See Notes to Financial Statements.

Town of East Hampton, Connecticut

Notes to Financial Statements
June 30, 2014**History and organization**

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.

I. Summary of significant accounting policies**A. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

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

Separate financial statements are provided for governmental, proprietary 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.

B. 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 proprietary fund and fiduciary fund financial statements. Agency funds have no measurement focus but are accounted for using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Town of East Hampton, Connecticut

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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. Tax 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 tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. For reimbursement grants the Town considers revenues to be available if they are collected within one year 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. General capital asset acquisitions are reported as expenditures in governmental funds.

Property taxes, expenditure reimbursement type grants, certain intergovernmental revenues, transfers 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 by the Town.

The Town reports the following major governmental funds:

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

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

The *Capital Reserve Fund* is used for various capital and nonrecurring projects.

Additionally, the Town reports the following fund types:

The *Internal Service Funds* account for risk financing activities for dental insurance benefits and Board of Education retiree benefits.

The *Pension Trust Fund* accounts for the activities of the East Hampton Employee Retirement System which accumulates resources for pension benefit payments to qualified employees.

The *Agency Funds* account for monies held on behalf of students.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions are 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.

Town of East Hampton, Connecticut

Notes to Financial Statements

June 30, 2014

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 all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's internal service funds are charges to Town Departments for various types of self-insurance. Operating expenses for the internal service funds include the cost of insurance and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Assets, liabilities, deferred outflows/inflows of resources and net position or equity

1. Deposits and investments

Deposits - The Town considers cash and cash equivalents as cash on hand, demand deposits, money market accounts and short-term investments with original maturities of three months or less from the date of acquisition.

Investments - In general, State of Connecticut Statutes allow the Town to invest in obligations of the United States of America or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust (as defined), in obligations of any state or political subdivision rated within the top two rating categories of any nationally recognized rating service or in obligations of the State of Connecticut or political subdivision rated within the top three rating categories of any nationally recognized rating service. Investment income is recorded in the fund in which it was earned.

Investments for the Town are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

State Treasurers Investment Fund is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27c - 3-27e. Investment guidelines are adopted by the State Treasurer. The fair value of the position in the pool is the same as the value of the pool shares. The balance of the pooled fixed income investments was invested in a 2a-7 like pool, which operates under State Statutes. The fair value of the position in the pool is the same as the value of the pool shares.

The Town's pension plan investment policy targets are 65% equities, 30% fixed income and 5% real estate.

2. Receivables and payables

a. Interfunds

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

Town of East Hampton, Connecticut

Notes to Financial Statements

June 30, 2014

b. Property taxes and other receivables

In the government-wide financial statements, property tax and loan receivables are shown net of an allowance for uncollectibles. Allowance percentages range from 4 to 15 percent of outstanding receivable balances and are calculated based upon prior collections.

In the fund financial statements, property tax revenues are recognized when they become available. Taxes collected during the 60 day period have been recorded as revenue. All property taxes receivable, which have not been collected within 60 days of June 30, have been recorded as deferred inflow of resources, since they are not considered to be available to finance expenditures of the current fiscal year.

Loans receivable consist of Community Development Block Grant loans. The Town provides low interest loans for residential rehabilitation as well as loans to local businesses for facility improvements.

Property taxes are assessed on property as of October 1. Taxes are billed in the following July and are due in two installments, July 1 and January 1. Liens are effective on the assessment date and are continued by filing before the end of the fiscal year following the due date.

3. Restricted assets

The restricted assets for the Town are restricted for endowment purposes. The trust agreement restricts the expenditure of the investment income only for the designated purpose.

4. 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 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 one year. 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.

Intangible assets include a permanent easement, which is not amortized.

Town of East Hampton, Connecticut

Notes to Financial Statements
June 30, 2014

Property, plant and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Intangible assets	5-10
Buildings	20-50
Improvements other than buildings	20
Machinery and equipment	3-20
Infrastructure	20-50

5. Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports the deferred charge on refunding in this category in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

For governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds' balance sheet. The governmental funds report unavailable revenues from several sources: property taxes (including advance collections, if any), water charges, sewer assessment and use charges and loans. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

6. Net position flow assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

7. 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. Compensated absences are only reported in governmental funds if they are due and payable to an employee who has resigned or retired before or at fiscal year end.

Town of East Hampton, Connecticut

Notes to Financial Statements

June 30, 2014

8. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities' statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

9. Fund equity and net position

In the government-wide financial statements, net position is classified into the following categories:

Net investment in capital assets

This category presents the net position that reflect capital assets net of only the debt applicable to the acquisition or construction of these assets. Debt issued for non-capital purposes, and unspent bond proceeds, are excluded.

Restricted net position

This category presents the net position restricted by external parties (creditors, grantors, contributors or laws and regulations).

Unrestricted net position

This category presents the net position of the Town which is not restricted.

In the fund financial statements, fund balances are classified into the following categories:

Nonspendable

This category presents amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted

This category presents amounts that can be spent only for specific purposes because of enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors or the laws or regulations of other governments.

Town of East Hampton, Connecticut

Notes to Financial Statements

June 30, 2014

Committed

This category presents amounts that can be used only for specific purposes determined by a formal action at the highest level of decision-making authority for the Town. Commitments may be established, modified or rescinded only through resolutions approved by Town Council or Town Meeting.

Assigned

This category presents amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Intent is expressed by the passage of a resolution by Town Council or by the issuance of a properly approved purchase order.

Unassigned

This category presents amounts that do not meet the criteria above and are available for any purpose. This category is only reported in the general fund for positive amounts and in any other fund that has a fund balance deficit.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless Town Council has provided otherwise in its commitment or assignment actions.

The Town Council adopted a minimum fund balance policy for the General Fund. The policy requires the Town to strive to maintain an unassigned general fund balance of not less than 8 percent nor more than 10 percent of current year budgeted general fund operating expenditures.

10. 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 of assets and liabilities including disclosures of contingent assets and liabilities and reported revenues, expenses and expenditures during the fiscal year. Accordingly, actual results could differ from those estimates.

11. Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Town of East Hampton, Connecticut

Notes to Financial Statements

June 30, 2014

II. Stewardship, compliance and accountability**A. Budgets and budgetary accounting**

The Town adheres to the following procedures in establishing the budgetary data included in the General Fund financial statements. The operating budget, which is prepared by function and department, includes proposed expenditures and the means of financing them.

- 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.

There were an additional appropriation during the year of \$511,000 from fund balance and \$554,931 additional revenue appropriations for the special education excess cost grant.

- 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.
- The Board of Education is authorized under state law to make any transfers required within their budget at their discretion. Additionally, as required by the charter, these transfers must be reported to the Board of Selectmen. Any additional appropriations must have Board of Education and Board of Selectmen approval and, if over one-half of one percent of the annual budget, Town Meeting approval.
- 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 (Exhibit F) as expenditures in the current year. Generally, all unencumbered appropriations lapse at year end, except those for the Capital Projects Funds and those specifically reappropriated by the Board of Finance.

Town of East Hampton, Connecticut

Notes to Financial Statements

June 30, 2014

B. Budget - GAAP reconciliation

A reconciliation of revenues and expenditures between the accounting treatment required by GAAP (Exhibit D) and budgetary requirements (Exhibit F) is as follows:

	<u>Revenues</u>	<u>Expenditures</u>
Balance, budgetary basis, Exhibit F	\$39,916,091	\$38,438,778
State Teachers' Retirement on-behalf payment	<u>3,386,675</u>	<u>3,386,675</u>
Balance, GAAP basis, Exhibit D -	<u>\$43,302,766</u>	<u>\$41,825,453</u>

C. Capital projects authorizations

The following is a summary of Capital Projects at June 30, 2014:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Cumulative Expenditures</u>	<u>Project Balance</u>
Brewer Road Pavement Rehabilitation	\$ 408,500	\$ 50,479	\$ 358,021
Christopher Brook Culvert Replacement	512,000	117,056	394,944
High School Renovation Project - Phase I	200,080	183,148	16,932
High School Renovation Project - Phase II	51,695,000	2,013,782	49,681,218
Fire Department Triple Pumper	645,000	638,484	6,516
Memorial School Oil Tank	150,000	139,276	10,724
Memorial School Roof	3,290,000	2,762,216	527,784
2012 Public Works Road Project	3,315,000	911,037	2,403,963
Oakum Dock water easement	<u>790,500</u>	<u>733,487</u>	<u>57,013</u>
Total	<u>\$ 61,006,080</u>	<u>\$ 7,548,965</u>	<u>\$ 53,457,115</u>

D. Donor-restricted endowments

The Town has received certain endowments for library operations purposes. The amounts are reflected in net position 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 position or unrestricted net position, depending upon the applicable donor's stipulations regarding the treatment of investment income and appreciation.

At June 30, 2014, there is no appreciation available for appropriation.

Town of East Hampton, Connecticut

Notes to Financial Statements
June 30, 2014

III. Detailed notes

A. Cash and investments

Deposits - 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. As of June 30, 2014, \$11,000,568 of the Town's bank balance of \$13,500,568 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 9,650,510
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>1,350,058</u>
Total amount subject to custodial credit risk	<u>\$ 11,000,568</u>

Financial instruments that potentially subject the Town to significant concentrations of credit risk consist primarily of cash. From time to time, the Town's cash account balances exceed the Federal Deposit Insurance Corporation limit. The Town reduces its credit risk by maintaining its cash deposits with major financial institutions and monitoring their credit ratings.

At June 30, 2014, the Town's investments (including restricted investments) consisted of the following:

Type of Investment	Fair Value	Investment Maturities (In Years)			
		N/A	Less Than 1	1-5 Years	5-10 Years
<u>Mutual funds:</u>					
Equity mutual funds	\$ 18,386,401	\$ 18,386,401	\$	\$	\$
Government agency securities	15,765		15,765		
U.S. government bonds	6,890,298			6,439,159	451,139
Foreign currency bonds	1,282,753			1,282,753	
Money market	398,580		398,580		
Pooled real estate	16	16			
Real estate limited partnership	1,160,968	1,160,968			
Certificates of deposit	2,068,144		1,063,055	1,005,089	
Pooled fixed income	<u>2,564,528</u>		<u>2,564,528</u>		
Total	<u>\$ 32,767,453</u>	<u>\$ 19,547,385</u>	<u>\$ 4,041,928</u>	<u>\$ 8,727,001</u>	<u>\$ 451,139</u>

Interest rate risk - To minimize interest rate risk, the Town's policy requires the structuring of the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. Operating funds should primarily be invested in shorter-term securities, money market funds or similar investment pools.

Credit risk - The Town's policy states credit risk will be minimized by limiting investments to the safest types of securities and pre-qualifying the financial institutions and advisors with which the Town will do business. The investment portfolio must be diversified so that potential losses on individual securities will be minimized.

Town of East Hampton, Connecticut

Notes to Financial Statements
June 30, 2014

The Town's investments subject to credit risk have average ratings by Standard & Poor's as follows:

Ratings	Mutual Funds				Pooled Fixed Income
	Government Agency Securities	Foreign Currency Bonds	U.S. Government Bonds	Money Market	
AAA	\$ 15,765	\$	\$ 6,890,298	\$	\$ 2,564,528
Unrated		1,282,753		398,580	
Total	<u>\$ 15,765</u>	<u>\$ 1,282,753</u>	<u>\$ 6,890,298</u>	<u>\$ 398,580</u>	<u>\$ 2,564,528</u>

Custodial credit risk - The Town does not have a formal policy with respect to custodial credit risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

The investments are covered by the Securities Investor Protection Corporation ("SIPC") up to \$500,000, including \$250,000 of cash from sale or for purchase of investments, but not cash held solely for the purpose of earning interest. SIPC protects securities such as notes, stocks, bonds, debentures, certificates of deposit and money funds.

The Town did not have any investments at June 30, 2014 subject to custodial credit risk since the investments held are pooled investments or are held in the Town's name.

B. Receivables

Receivable balances have been disaggregated by type and presented separately in the financial statements. Only receivables for the Town's government-wide financial statements with allowances for uncollectible accounts as of June 30, 2014, including the applicable allowances for uncollectible accounts, are presented below.

	Property Taxes			CDBG Loans
	Taxes	Interest & Liens	Total	
Current portion	\$ 650,992	\$ 61,522	\$ 712,514	
Long-term portion	\$ 937,955	\$ 503,706	\$ 1,441,661	
Less allowance for uncollectibles	(105,000)	(21,000)	(126,000)	
Net long-term portion	<u>\$ 832,955</u>	<u>\$ 482,706</u>	<u>\$ 1,315,661</u>	

	Sewer Use and Assessments			CDBG Loans
	Assessments	Interest & Liens	Total	
Current portion	\$ 129,655	\$ 22,090	\$ 151,745	\$ 4,100
Long-term portion	\$ 158,710	\$ 27,293	\$ 186,003	\$ 205,507
Less allowance for uncollectibles			-	(32,075)
Net long-term portion	<u>\$ 158,710</u>	<u>\$ 27,293</u>	<u>\$ 186,003</u>	<u>\$ 173,432</u>

Town of East Hampton, Connecticut

Notes to Financial Statements
June 30, 2014**C. Capital assets**

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance July 1, 2013	Increases	Decreases	Ending Balance June 30, 2014
<u>Capital assets, not being depreciated:</u>				
Land	\$ 2,343,992	\$	\$	\$ 2,343,992
Intangible assets	698,000			698,000
Construction in progress	1,753,609	2,132,274		3,885,883
Total capital assets, not being depreciated	4,795,601	2,132,274	-	6,927,875
<u>Capital assets, being depreciated:</u>				
Buildings	55,212,408	155,177		55,367,585
Intangible assets	60,000			60,000
Improvements other than buildings	61,795	165,142		226,937
Machinery and equipment	8,838,997	1,324,382	232,649	9,930,730
Infrastructure	44,138,757			44,138,757
Total capital assets, being depreciated	108,311,957	1,644,701	232,649	109,724,009
Total capital assets	113,107,558	3,776,975	232,649	116,651,884
<u>Less accumulated depreciation:</u>				
Buildings	22,976,747	986,857		23,963,604
Intangible assets	33,400	8,350		41,750
Improvements other than buildings	61,178	6,606		67,784
Machinery and equipment	5,136,155	481,004	217,379	5,399,780
Infrastructure	6,651,231	428,351		7,079,582
Total accumulated depreciation and amortization	34,858,711	1,911,168	217,379	36,552,500
Total capital assets, being depreciated, net	73,453,246	(266,467)	15,270	73,171,509
Capital assets, net	\$ 78,248,847	\$ 1,865,807	\$ 15,270	\$ 80,099,384

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

General government	\$ 12,819
Public safety	220,005
Public works and utilities	894,711
Civic and human services	3,432
Culture and recreation	103,729
Regulatory	3,458
Education	673,014
Total depreciation expense	<u>\$ 1,911,168</u>

Town of East Hampton, Connecticut

Notes to Financial Statements
June 30, 2014**Construction commitments**

The Town has active construction projects as of June 30, 2014. At year end, the Town's commitments with contractors were as follows:

<u>Project description:</u>	<u>Comittment</u>
2012 Public Works Road Project	\$1,976,726
Chatham Acres Housing Renovations	166,000
High School Renovation	3,888,037

D. Interfund accounts**1. Interfund payables and receivables**

A summary of interfund balances as of June 30, 2014 is as follows:

<u>Major funds:</u>	<u>Corresponding Fund</u>	<u>Due From</u>	<u>Due To</u>
General fund:			
Miscellaneous grants	N/A	\$ 8,066	\$
Debt service	N/A	1,010	
Culture and recreation	N/A	3,053	
Education grant	N/A		11,407
Capital reserve	N/A		107,405
Capital initiatives	N/A		921,082
WPCA operating	N/A		8,174
WPCA joint facilities	N/A		414
Total general fund		12,129	1,048,482
Capital initiatives:			
Public works	N/A		321,461
Capital reserve	N/A		2,795,536
WPCA joint facilities	N/A		261,702
General fund	N/A	921,082	
Total capital initiatives		921,082	3,378,699
Capital reserve:			
Capital initiatives	N/A	2,795,536	
General fund	N/A	107,405	
Miscellaneous grants	N/A	78,616	
Total capital reserve		2,981,557	-

Town of East Hampton, Connecticut

Notes to Financial Statements
June 30, 2014

	Corresponding Fund	Due From	Due To
<u>Nonmajor governmental funds:</u>			
Miscellaneous grants	General Fund	\$	\$ 8,066
Miscellaneous grants	Capital Reserves		78,616
WPCA operating	General Fund	8,174	
Education grant	General Fund	11,407	
School cafeteria	General Fund		
Culture and recreation	General Fund		3,053
WPCA joint facilities	General Fund	414	
Public works	Capital Initiatives	321,461	
Debt service	General Fund		1,010
WPCA joint facilities	Capital Initiatives	261,702	
Debt service	Internal Service		197,500
Total nonmajor governmental funds		603,158	288,245
Internal service funds	Debt Service Fund	197,500	
Grand total		<u>\$4,715,426</u>	<u>\$4,715,426</u>

All interfund balances resulted from the time lag between the dates payments occurred between funds for short-term internal financing.

Town of East Hampton, Connecticut

Notes to Financial Statements
June 30, 2014**2. Interfund transfers**

A summary of interfund transfers for the year ended June 30, 2014 is as follows:

	Corresponding Fund	Transfers In	Transfers Out
<u>Major funds:</u>			
General fund:			
Water system fund	N/A	\$	\$ 23,532
Capital reserve fund	N/A	34,879	1,464,384
Debt service fund	N/A		35,000
Total general fund		34,879	1,522,916
Capital initiatives fund	Public Works	123,700	
Capital reserve fund:			
General fund	N/A	1,464,384	34,879
Miscellaneous grants	N/A	72,670	
Total capital reserve fund		1,537,054	34,879
<u>Nonmajor funds:</u>			
Special revenue funds:			
Water system fund	General Fund	23,532	
Public works	Capital Initiatives		123,700
Community development	Miscellaneous Grants		29,735
Miscellaneous grants	Community Development	29,735	
Miscellaneous grants	Capital Reserve		72,670
Total special revenue funds		53,267	226,105
Debt service fund	General Fund	35,000	
Grand total		\$ 1,783,900	\$ 1,783,900

Transfers are used to account for the financing by the general fund of various programs and activities in other funds.

E. Short-term obligations - bond anticipation notes

The Town uses bond anticipation notes (BANs) during the construction period of various projects prior to the issuance of the bonds at the completion of the project.

Short-term activity for the year ended June 30, 2014 was as follows:

Project	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014
Memorial School Roof and Oil Tank Project	\$ 395,000	\$ -	\$ 395,000	\$ -

The BANs were paid down in August 2013.

In December 2014, the Town issued \$16,145,000 of bond anticipation notes to temporarily finance its high school renovation project and road improvement program. The notes were issued with a premium of \$167,105, a coupon of 1.250% and mature in December 2015. The net interest cost on the notes is .2291%.

Town of East Hampton, Connecticut

Notes to Financial Statements
June 30, 2014

F. Changes in long-term obligations

1. Summary of changes

The following is a summary of changes in long-term obligations during the fiscal year:

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Current Portion
<u>Bonds:</u>									
Obligation bond	\$ 2,345,000	08/15/02	08/15/17	3.00%-4.125%	\$ 625,000	\$	\$ 125,000	\$ 500,000	\$ 125,000
Refunding issue	4,005,000	04/01/03	07/15/14	3.375%-4.10%	645,000		325,000	320,000	325,000
Obligation bond	3,175,000	02/01/06	02/01/21	3.40%-5.0%	1,425,000		225,000	1,200,000	225,000
Obligation bond	2,985,000	04/15/09	07/15/28	2.50%-4.50%	2,505,000		160,000	2,345,000	160,000
Obligation bond	3,885,000	02/14/14	08/15/33	2.00%-4.00%	3,140,000	745,000		3,885,000	210,000
Total bonds					8,340,000	745,000	835,000	8,250,000	1,045,000
<u>Clean water notes:</u>									
Sewer 480C	503,694	06/30/02	12/31/21	2.0%	236,611		25,796	210,815	25,796
Total bonds/notes					8,576,611	745,000	860,796	8,460,815	1,070,796
Premiums					33,873	35,689	12,137	57,425	
Total bonds/notes and related liabilities					8,610,484	780,688	872,932	8,518,240	1,070,796
Compensated absences					1,351,594	453,029	425,267	1,379,356	129,895
Net OPEB obligation					1,245,918	527,000	232,000	1,540,918	
Environmental obligation					750,000			750,000	
Total long-term obligations					\$ 11,957,996	\$ 1,760,718	\$ 1,530,200	\$ 12,188,514	\$ 1,200,691

All long-term liabilities listed above are liquidated by the General Fund except clean water notes which are paid out of the WPCA Joint Facilities Fund.

Town of East Hampton, Connecticut

Notes to Financial Statements
June 30, 2014

The following is a summary of amounts to be provided by the State of Connecticut for the retirement of school bonds and bond and note maturities:

Fiscal Year Ended June 30,	Amount to be Provided By State Principal	Notes Principal	Bond Principal	Total Interest
2015	\$ 143,273	\$ 26,317	\$ 1,040,000	\$ 158,256
2016		26,848	720,000	131,102
2017		27,390	645,000	113,122
2018		27,943	645,000	97,253
2019		28,507	515,000	83,643
2020		29,082	515,000	72,210
2021		29,669	515,000	60,379
2022		15,059	365,000	48,333
2023			360,000	42,238
2024			355,000	36,038
2025			355,000	29,838
2026			355,000	23,541
2027			355,000	17,050
2028			355,000	10,366
2029			355,000	3,488
2030			160,000	
2031			160,000	
2032			160,000	
2033			160,000	
2034			160,000	
	<u>\$ 143,273</u>	<u>\$ 210,815</u>	<u>\$ 8,250,000</u>	<u>\$ 926,857</u>

2. Statutory debt limitations

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

Category	Debt Limit	Net Indebtedness	Balance
General purpose	\$ 67,866,543	\$ 6,497,000	\$ 61,369,543
Schools	135,733,086	1,609,727	134,123,359
Sewers	113,110,905	210,573	112,900,332
Urban renewal	98,029,451		98,029,451
Pension deficit	90,488,724		90,488,724

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, \$211,140,356.

Town of East Hampton, Connecticut

Notes to Financial Statements
June 30, 2014

The indebtedness reflected above includes bonds outstanding in addition to the amount of bonds authorized and unissued against which bond anticipation notes are issued and outstanding. School building grants receivable of \$143,273 for bond principal are reflected as deductions in the computation of net indebtedness.

3. Authorized/unissued bonds

The amount of authorized, unissued bonds for general purposes at June 30, 2014 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
Water system initial water supply plan	866,000
Capital improvements 2004-2005	454,400
Land purchase	7,100
Flanders roadway improvements	2,000
Pine Brook culvert replacement	400,000
Memorial school roof and oil tank	2,100,000
2012 road improvement project	1,415,000
High school renovation	<u>51,695,000</u>
Total	<u>\$ 56,960,000</u>

4. Prior year advance refunding

In prior years, the Town defeased certain general obligation bonds by placing the proceeds of the 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 of the defeased bonds are not included in the Town's financial statements. At June 30, 2014, \$320,000 of bonds outstanding are considered defeased.

5. Environmental cleanup

In 2009, the Town entered into the State of Connecticut's Department of Environmental Protection Voluntary Remediation Program required by the EPA cleanup grant agreement and, therefore, was deemed the responsible party for remediation of two Town-owned properties. A substantial amount of clean up and remediation has been performed on one of the properties; therefore, the liability on this property has been reduced to zero.

The second property has an estimated cost of a site assessment and corrective measures feasibility study of \$750,000. There was no cost range provided for this estimate; therefore, the total estimated environmental obligation of the Town is \$750,000.

Town of East Hampton, Connecticut

Notes to Financial Statements

June 30, 2014

The estimate is subject to change due to price changes, technology changes or other changes. The pollution remediation liability does not reflect any recovery of outlays because the Town does not anticipate that it will not be able to recover remediation costs from other parties. The liability also does not include outlays for site cleanup because those costs are not yet reasonably estimable.

G. Restricted net position

The amount of restricted net position, which were restricted by enabling legislation, totaled \$2,038,247 at June 30, 2014.

H. Fund balance classifications

Fund Balance Component	General Fund	Capital Initiatives	Capital Reserve	Nonmajor Funds	Total
<u>Nonspendable:</u>					
Library trust	\$	\$	\$	\$ 15,500	\$ 15,500
<u>Restricted:</u>					
Public works					
Future debt payments				1,015,769	1,015,769
Sewer facility operations				273,527	273,527
Sewer operations				341,175	341,175
Water operations				37,988	37,988
Health and welfare					
Community development programs				6,840	6,840
Culture and recreation programs				827	827
Education - food services program				51,493	51,493
Total restricted	-	-	-	1,727,619	1,727,619
<u>Committed:</u>					
General government					
Civic and human service programs				56,593	56,593
Public works projects				318,295	318,295
Public safety					
Police private duty				207,656	207,656
Culture and recreation programs				100,299	100,299
Education programs				442,049	442,049
Construction contracts		315,646	2,972,408	1,500,009	4,788,063
Total committed	-	315,646	2,972,408	2,624,901	5,912,955
<u>Assigned:</u>					
Debt service				232,188	232,188
<u>Unassigned</u>					
	4,872,509				4,872,509
Total	\$ 4,872,509	\$ 315,646	\$ 2,972,408	\$ 4,600,208	\$ 12,760,771

Town of East Hampton, Connecticut

Notes to Financial Statements

June 30, 2014

IV. Other information

A. 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 years, and there has not been any significant reductions in insurance coverage from amounts held in prior years.

The Town utilizes a risk management fund (the Internal Service Fund) to account for and finance its uninsured risks of loss for dental claims. The fund records all claim expenses and liabilities when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. In addition, the fund records contributions for benefits for the Board of Education retirees.

The Board of Education is charged premiums by the Internal Service Fund, which are included in expenditures, to cover the estimated cost of claims payment based on historical cost estimates of the amounts needed to pay prior and current year claims. Claims liabilities include an estimate of claims incurred but not reported and are the Town's best estimate based on available information.

The claims liability reported in the Internal Service Fund is based on the requirements of GASB Statements No. 10 and 30, which require that a liability for estimated claims incurred but not reported be recorded. The amount of claim accrual is based on the ultimate costs of settling the claim, which include past experience data, inflation and other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claim accrual does not include other allocated or unallocated claims adjustment expenses.

The following is a summary of changes in the claims liabilities:

	Claims Payable <u>July 1</u>	Current Year Claims and Change in <u>Estimates</u>	Claims <u>Paid</u>	Claims Payable <u>June 30</u>
2012-2013	\$ 30,033	\$ 288,471	\$ 288,719	\$ 29,785
2013-2014	29,785	277,872	285,636	22,021

B. Commitments and litigation

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

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

Town of East Hampton, Connecticut

Notes to Financial Statements

June 30, 2014

Intermunicipal agreement

The Town is party to an intermunicipal agreement for septage waste disposal. The Town has agreed to accept septage from five area towns. The Town 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. In fiscal year 2002, the Town borrowed an additional \$503,694 for a nitrogen reduction project. Each town is committed to paying a portion of the cost of improvements over 20 years. Additionally, operating costs and a use fee will also be charged.

C. Pension plans**1. Plan description****Plan administration**

The Town administers the Town of East Hampton Retirement Income Plan - a single-employer Public Employee Retirement System ("PERS") that provides pension benefits for eligible employees of the Town. The Pension Plan Article XV grants the authority to establish and amend the benefit terms to the Town Council. The plan is considered to be a part of the Town's financial reporting entity and is included in the Town's financial statements as a pension trust fund. The plan does not issue stand-alone financial statements.

Management of the plan is vested in the Town Council.

Plan membership

At July 1, 2013, pension plan membership consisted of the following:

Active plan members	167
Terminated vested plan members	98
Plan members in pay status	<u>97</u>
Total	<u><u>362</u></u>

2. Benefit provisions

The plan provides retirement, disability and death benefits. Retirement benefits for police officers are calculated as 2.5% of the member's final average salary times the member's credited years of service. For all other plan members, retirement benefits are calculated as 2.25% of the member's final average salary times the member's credited years of service. Town plan members with 10 years of continuous service are 100 percent vested. Police plan members can retire at full benefits the earlier of age 55 with 10 years of service or 20 years of service. All other plan members may retire with full benefits at age 62 with 5 years of service.

Town of East Hampton, Connecticut

Notes to Financial Statements

June 30, 2014

All plan members, who are determined to have a total and permanent disability, are eligible for disability benefits after 10 years of service. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Pre-retirement and post-retirement death benefits are to be paid in accordance with the plan documents.

Benefit terms provide for cost-of-living adjustments (COLAs) which may be applied periodically to the retirement benefits under the plan. The timing and manner of which such COLAs may be applied shall be determined by the Employer.

3. Contributions

Article IV of the pension plan provides that after July 1, 1996, police offers will contribute 5% of their annual base compensation, and all other members will contribute 5.5% of their annual base compensation.

The Town is required to contribute the amount determined by the actuary, considering the member contributions.

For the year ended June 30, 2014, the average active member contribution rate was 5.0% of annual base compensation, and the Town's average contribution rate was 12.50% of annual payroll.

4. Investments

Investment policy. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Committee by a majority vote of its members. It is the policy of the Town's Pension Committee to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Committee's adopted asset allocation policy as of June 30, 2014:

<u>Asset Class</u>	<u>Target Allocation</u>
Equities	65%
Fixed income	30%
Real Estate	<u>5%</u>
Total	<u>100%</u>

Town of East Hampton, Connecticut

Notes to Financial Statements

June 30, 2014

5. Concentrations

There were no investments in any one organization that represents 5% or more of the pension plan's net position.

6. Rate of return

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 14.14%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

7. Net pension liability

The components of the net pension liability at June 30, 2014, were as follows:

Total pension liability	\$ 32,426,243
Plan fiduciary net position	<u>(27,131,176)</u>
Net pension liability	<u>\$ 5,295,067</u>
Plan fiduciary net position as percentage of the total pension liability	<u>83.67%</u>

8. Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2013, using the following actuarial assumptions, applied to all periods included in the measurement:

GASB 67

Actuarial cost method	Entry age normal
Asset valuation method	Fair value
Post-retirement increases	Ad hoc (none for 2014)
Amortization method	Level percent, closed
Inflation	2.75%
Salary increase	5.00%, average, including inflation
Investment rate of return	7.25%, net of pension plan investment expense, including inflation
Mortality rates	Combined healthy mortality with generational projection per Scale AA

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Town of East Hampton, Connecticut

Notes to Financial Statements
June 30, 2014

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	0.49%
Core fixed income	1.95%
Non-U.S. fixed income	0.73%
Inflation-indexed bonds	0.88%
Broad U.S. equities	4.49%
Large cap U.S. equities	4.39%
Mid cap U.S. equities	4.49%
Developed foreign equities	4.39%
Emerging market equities	4.88%
Real estate (REITS)	3.90%
Commodities	2.93%

9. Discount rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Town of East Hampton, Connecticut

Notes to Financial Statements

June 30, 2014

10. Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.25% as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount (7.25%)	1% Increase (8.25%)
Net pension liability	\$ 9,211,354	\$ 5,295,067	\$ 1,995,991

11. Funded status and funding progress

The assumptions used for the calculations required by GASB 27 are as follows:

GASB 27

Actuarial cost method	Projected unit credit
Asset valuation method	5 year smoothed market value
Amortization method	Level percent, closed
Amortization period	25 years
Inflation	2.50%
Salary increase	5.00%, average, including inflation
Investment rate of return	7.25%, net of pension plan investment expense, including inflation

The actuarial accrued liability is determined under the Projected Unit Credit method. Under this method, actuarial gains and losses are identified each year and are automatically included in the unfunded actuarial accrued liability. Therefore, they are amortized over the same number of years as the unfunded actuarial accrued liability.

The funded status of the plan is as follows:

Actuarial Valuation Date	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability (AAL)	(A-B) Over (Under) Funded AAL	(A/B) Funded AAL Ratio	(C) Covered Payroll	[(A-B/C) Over (Under) Funded AAL as a Percentage of Covered Payroll
July 1, 2013	\$23,077,002	\$28,787,762	\$(5,710,760)	80.2%	\$ 7,300,421	(78.2)%

Town of East Hampton, Connecticut

Notes to Financial Statements
June 30, 2014

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress, immediately following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liability for benefits.

The interest rate assumption was lowered during the year from 7.50% to 7.25%. The impact of this change was an increase in the Unfunded Accrued Liability of \$800,100 and an increase in the Annual Required Contribution of \$47,600.

12. Annual pension cost and net pension asset (NPA)

The changes in the NPA were as follows:

Annual required contribution	\$ 952,198
Adjustment to annual required contribution	<u>(16,078)</u>
Annual pension cost	936,120
Contributions made	<u>953,000</u>
Increase in net pension asset	16,880
Net pension asset - July 1, 2013	<u>1,436,331</u>
Net pension asset - June 30, 2014	<u>\$1,453,211</u>

Three Year Trend Information

<u>Year Ending June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
2014	\$ 936,120	101.8%	\$1,453,211
2013	790,993	104.8%	1,436,331
2012	722,325	112.0%	1,398,141

13. Defined Contribution Retirement Savings Plan

As of September 2013, Town employees and certain Board of Education employees not covered by the Town's defined benefit plan are eligible to participate in the East Hampton Money Purchase Plan administered by the Town. Town Council has the authority to establish and amend the plan. For 2014, there were 7 employees eligible to participate in the plan. The Town and employees are both required to contribute 5% of earnings. During the year, the employer contributions were \$11,237 and employee contributions totaled \$11,237.

Town of East Hampton, Connecticut

Notes to Financial Statements
June 30, 2014**D. Other post-employment benefit plan****1. Plan description**

The Town administers one single-employer, post retirement healthcare plan for the Board of Education for the Town of East Hampton Other Post-Employment Benefit ("OPEB"). The Board of Education plan provides medical and dental benefits to eligible retirees and their spouses. The plan does not issue stand-alone financial reports.

2. Summary of significant accounting policies and plan asset mattersValuation of investments

Investments are valued at fair value. Securities traded on national exchanges are valued at the last reported sales price. There are no investments of 5% or greater in any one organization.

3. Classes of employees covered

As of June 30, 2014, the plan's membership consisted of:

	<u>Board of Education</u>
Retirees and beneficiaries currently receiving benefits	38
Active plan members	<u>174</u>
Total	<u><u>212</u></u>

4. Benefit provisions**a. Benefit provisions**

The Board of Education plan provides medical and dental benefits for all Board of Education retirees and their spouses. Benefits and contributions are established by contract and may be amended by union negotiations. Administration costs are financed from investment earnings.

b. Employer contributions

The Town's contributions are actuarially determined on an annual basis using the projected unit credit method. The Board of Education's total plan contribution was \$232,000.

c. Employee contributions

There are no employee contributions to the plan.

Teachers who no longer work for the Board of Education are allowed by State Statute to participate in the Town's group medical insurance plan until they formally begin receiving benefits from the State Teachers' Retirement plan. These teachers are required to contribute the cost of the insurance to the Town.

Town of East Hampton, Connecticut

Notes to Financial Statements
June 30, 2014

5. Funded status and funding progress

The funded status of the plan as of July 1, 2013 was as follows:

	<u>A)</u>	<u>(B)</u>	<u>(A-B)</u>	<u>(A/B)</u>	<u>(C)</u>	<u>[(A-B)/C]</u>
		Actuarial Accrued Liability (AAL) Projected Unit Credit	Over (Under) Funded AAL	Funded AAL Ratio	Covered Payroll	Over (Under) Funded AAL as a Percentage of Covered Payroll
Actuarial Valuation Date	Actuarial Value of Assets					
July 1, 2013	\$	\$5,973,888	\$(5,973,888)	0.0%	\$13,540,000	(44.1)%

The data presented in the schedules of funding progress and schedules of contributions were determined as part of the actuarial valuation at the date indicated. Additional information for the plan as of the latest valuation date is as follows:

Valuation date – schedule of funding progress	July 1, 2013
Valuation date – schedule of contributions	July 1, 2011
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar
Remaining amortization period	27 Years Closed

Actuarial Assumptions:

Investment rate of return	4.0%
Healthcare inflation rate – July 1, 2011:	
Initial	6.4%
Ultimate	4.4%
Healthcare inflation rate – July 1, 2013:	
Initial	6.8%
Ultimate	4.7%
Inflation rate	4.0%

Effective July 1, 2013, the Board will provide only a high deductible health plan with health savings account. The combined effect of the plan change and assumption change decreased the accrued liability by approximately \$260,000 and decreased the annual required contribution by approximately \$40,000.

Town of East Hampton, Connecticut

Notes to Financial Statements
June 30, 2014**6. Annual OPEB cost and net OPEB obligation ("NOO")**

The changes in the NOO were as follows:

	<u>Board of Education</u>
Annual required contribution	\$ 527,000
Interest on net OPEB obligation	49,837
Adjustment to annual required contribution	<u>(49,837)</u>
Annual OPEB cost (AOC)	527,000
Contributions made	<u>232,000</u>
Change in net OPEB obligation	295,000
Net OPEB obligation - July 1, 2013	<u>1,245,918</u>
Net OPEB obligation - June 30, 2014	<u>\$1,540,918</u>

7. Three year trend information

<u>Year Ending June 30</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation</u>	<u>Actual Contributed</u>
Board of Education				
2012	\$ 547,039	52.7%	\$ 972,477	\$ 288,000
2013	498,441	45.1%	1,245,918	225,000
2014	527,000	44.01%	1,540,918	232,000

E. On-behalf payments

The amount of the State Teachers' Retirement Plan contribution recognized in the General Fund intergovernmental revenues and education expenditures for contributions made by the State on-behalf of the Town's teachers was \$3,386,675.

Required Supplementary Information

Town of East Hampton, Connecticut**Town of East Hampton Retirement Income Plan****Required Supplementary Information
Schedule of Changes in Net Pension Liability****June 30, 2014**

	<u>2014</u>
Total pension liability:	
Service cost	\$ 819,627
Interest	2,242,374
Benefit payments, including refunds of member contributions	<u>(1,465,203)</u>
Net change in total pension liability	1,596,798
Total pension liability - July 1	<u>30,829,445</u>
Total pension liability - June 30 (a)	<u><u>\$ 32,426,243</u></u>
Plan fiduciary net position:	
Contributions - employer	\$ 953,000
Contributions - member	413,838
Net investment income	3,455,656
Benefit payments, including refunds of member contributions	(1,465,203)
Administration expense	<u>(52,123)</u>
Net change in plan fiduciary net position	3,305,168
Plan fiduciary net position - July 1	<u>23,826,008</u>
Plan fiduciary net position - June 30 (b)	<u><u>\$ 27,131,176</u></u>
Net pension liability (asset) - June 30 (a)-(b)	<u><u>\$ 5,295,067</u></u>

Town of East Hampton, Connecticut**Town of East Hampton Retirement Income Plan****Required Supplementary Information
Schedule of Net Pension Liability****June 30, 2014**

	<u>2014</u>
Total pension liability	\$ 32,426,243
Plan fiduciary net position	<u>27,131,176</u>
Net pension liability	<u>\$ 5,295,067</u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u>83.67%</u>
Covered-employee payroll	<u>\$ 7,621,801</u>
Net pension liability as a percentage of covered-employee payroll	<u>69.47%</u>

Schedule of Investment Returns

	<u>2014</u>
Annual Money weighted rate of return, net investment expense	<u>14.14%</u>

Town of East Hampton, Connecticut

Town of East Hampton Retirement Income Plan

Required Supplementary Information
Schedule of ContributionsLast 10 Fiscal Years

<u>Fiscal Year</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Excess (Deficiency)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
2014	\$ 952,198	\$ 953,000	\$ 802	\$7,621,801	12.50%
2013	815,329	829,183	13,854	7,372,236	11.25%
2012	749,829	809,304	59,475	7,317,009	11.06%
2011	787,261	847,761	60,500	6,613,882	12.82%
2010	765,583	771,832	6,249	6,674,011	11.56%
2009	595,784	717,193	121,409	6,417,318	11.18%
2008	551,652	707,485	155,833	N/A	N/A
2007	646,582	646,582	-	5,941,437	10.88%
2006	597,755	597,755	-	N/A	N/A
2005	551,929	551,929	-	5,569,262	9.91%

Town of East Hampton, Connecticut

Town of East Hampton Retirement Income Plan

Notes to Required Supplementary Information
Year Ended June 30, 2014

Changes of benefit terms	None
Changes of assumptions	The interest rate was changed from 7.50% to 7.25%.
Method and assumptions used in calculations of actuarially determined contribution	The actuarially determined contribution rates in the schedule of contributions are calculated as of July 1, 2013 one year prior to the end of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial Cost Method	Projected unit credit
Amortization Method	Level percent, closed
Asset Valuation Method	5 year smoothed market value
Inflation	2.50%
Salary Increases	5.00%, average, including inflation
Investment Rate of Return	7.25%, net of pension plan investment expense, including inflation

Town of East Hampton, Connecticut

Town of East Hampton Other Post-Employment Benefit Plan

Required Supplementary Information
Schedule of Funding Progress

	A	B	(A-B)	(A/B)	C	[(A-B)/C]
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Over (Under) Funded AAL	Funded AAL Ratio	Covered Payroll	Over (Under) Funded AAL as a Percentage of Covered Payroll
July 1, 2013	\$ -	\$ 5,973,888	\$ (5,973,888)	0.0%	\$ 13,540,000	(44.1%)
July 1, 2011	-	5,525,000	(5,525,000)	0.0%	11,651,000	(47.4%)
June 30, 2009	-	6,071,000	(6,071,000)	0.0%	N/A	-

Schedule of Employer Contributions

Fiscal Year End June 30	Annual Required Contributions	Actual Contributions	Percentage Contributed
2014	\$ 527,000	\$ 232,000	44.0%
2013	497,000	225,000	45.3%
2012	545,000	288,000	52.8%
2011	515,000	288,000	55.9%
2010	486,000	263,000	54.1%
2009	486,000	226,000	46.5%

Town of East Hampton, Connecticut

Town of East Hampton Other Post-Employment Benefit Plan

Notes to Required Supplementary Information
Year Ended June 30, 2014

Changes of benefit terms	None
Changes of assumptions	Effective July 1 2013, the Board of Education will only provide a high deductible plan with a health savings account.
Method and assumptions used in calculations of actuarially determined contribution	The actuarially determined contribution rates in the schedule of contributions are calculated as of July 1, 2011, two years prior to the end of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial Cost Method	Projected unit credit
Amortization Method	Level dollar, closed
Remaining Amortization Period	27 years
Investment Rate of Return	4.00%
Healthcare Inflation rate - Initial	6.4%
Healthcare Inflation rate - Ultimate	4.4%
Inflation rate	4.0%

Town of East Hampton, Connecticut

Town of East Hampton Retirement Income Plan

Required Supplementary Information
Schedule of Funding Progress

	A	B	(A-B)	(A/B)	C	[(A-B)/C]
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Projected Unit Credit	Over (Under) Funded AAL	Funded AAL Ratio	Covered Payroll	Over (Under) Funded AAL as a Percentage of Covered Payroll
July 1, 2013	\$ 23,077,002	\$ 28,787,762	\$ (5,710,760)	80.2%	\$ 7,300,421	(78.2%)
July 1, 2012	20,819,841	25,902,904	(5,083,063)	80.4%	7,621,801	(66.7%)
July 1, 2011	20,676,026	24,121,912	(3,445,886)	85.7%	7,372,336	(46.7%)
July 1, 2010	19,798,223	22,936,498	(3,138,275)	86.3%	7,317,009	(42.9%)
July 1, 2009	17,979,527	21,634,148	(3,654,621)	83.1%	6,613,882	(55.3%)
January 1, 2009	17,381,622	20,814,052	(3,432,430)	83.5%	6,674,011	(51.4%)

General Fund

The general fund is the principal fund of the Town and is used to account for all activities of the Town, except those required to be accounted for in another fund. The general fund accounts for the normal recurring activities of the Town (i.e., general government, public safety, public works, buildings and grounds, planning and development, health and human services, library, education, etc.). These activities are funded principally by property taxes, user fees and grants from other governmental units.

Town of East Hampton, Connecticut

General Fund
Schedule of Revenues and Other Financing Sources
Budget and Actual
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Property Taxes:				
Current taxes	\$ 29,352,354	\$ 29,352,354	\$ 29,256,063	\$ (96,291)
Back taxes	443,000	443,000	417,599	(25,401)
Telephone access share line	31,900	31,900	30,455	(1,445)
Supplemental motor vehicles	190,000	190,000	254,084	64,084
Housing Authority reimbursement	11,800	11,800	13,329	1,529
Interest	235,000	235,000	251,713	16,713
Liens	2,700	2,700	4,445	1,745
Total property taxes	30,266,754	30,266,754	30,227,688	(39,066)
Intergovernmental:				
General government:				
Town aid road	323,198	323,198	323,375	177
Grants for municipal projects			17,816	17,816
Elderly tax relief	45,000	45,000	45,253	253
Department of Youth Services	16,100	16,100	16,137	37
State-owned property			107,111	107,111
Disability tax relief	1,200	1,200	1,267	67
Veterans' exemption	4,500	4,500	4,774	274
Mashantucket Pequot/Mohegan grant			59,349	59,349
Property tax relief	105,592	105,592		(105,592)
Other State grants	660	660	653	(7)
Total general government	496,250	496,250	575,735	79,485
Education:				
Principal and interest subsidy school bonds	163,417	163,417	165,971	2,554
Education cost sharing	7,780,556	7,780,556	7,711,108	(69,448)
Special education excess cost		554,931	554,931	-
School transportation			91,276	91,276
Adult education	20,131	20,131	20,061	(70)
Total education	7,964,104	8,519,035	8,543,347	24,312
Total intergovernmental	8,460,354	9,015,285	9,119,082	103,797

(Continued)

Town of East Hampton, Connecticut

General Fund
Schedule of Revenues and Other Financing Sources
Budget and Actual
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Charges for Services:				
Finance Department	\$ 29,302	\$ 29,302	\$ 31,822	\$ 2,520
Assessor Department	1,200	1,200	1,070	(130)
Animal control	600	600	542	(58)
Police Department	7,300	7,300	11,574	4,274
Town Clerk	224,200	224,200	240,821	16,621
Planning, zoning and buildings	97,665	97,665	145,854	48,189
Transfer station fees/stickers	48,000	48,000	47,961	(39)
Lease of Town property	28,560	28,560	28,566	6
Sears Park rent	600	600	750	150
Library	15,000	15,000	11,839	(3,161)
Community room rental	400	400	50	(350)
Sears Park stickers	16,000	16,000	7,864	(8,136)
Blasting permits	240	240	205	(35)
Cemetery plot sales			500	500
Public Works			40	40
Total charges for services	469,067	469,067	529,458	60,391
Investment income	32,000	32,000	18,492	(13,508)
Miscellaneous:				
Collector of Revenue	500	500	817	317
Parks & Recreation			2,595	2,595
Fire Marshall			18	18
CRRA recycling rebate	9,000	9,000	8,968	(32)
Insurance reimbursement			8,698	8,698
Middle Haddam Historic District	300	300	275	(25)
Total miscellaneous	9,800	9,800	21,371	11,571
Total revenues	39,237,975	39,792,906	39,916,091	123,185
Other Financing Sources:				
Use of fund balance		511,000		(511,000)
Sale of equipment			9,421	9,421
Transfers in:				
Capital reserve fund			34,879	34,879
Total other financing sources	-	511,000	44,300	(466,700)
Total Revenues and Other Financing Sources	\$ 39,237,975	\$ 40,303,906	\$ 39,960,391	\$ (343,515)

(Concluded)

Town of East Hampton, Connecticut

General Fund
Schedule of Expenditures and Other Financing Uses
Budget and Actual
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
General Government:				
Town Manager's Department	\$ 319,684	\$ 343,789	\$ 343,781	\$ 8
Council special programs	24,957	24,957	24,584	373
Facilities administrator	96,963	96,963	18,603	78,360
Legal defense/fees	150,000	193,245	193,241	4
Town Hall and Annex	266,717	286,740	285,469	1,271
Finance and Accounting	416,805	431,730	431,730	-
Collector of Revenue	161,690	161,690	153,705	7,985
Assessor's Office	177,801	177,801	166,349	11,452
Board of Assessment Appeals	1,282	1,282	991	291
Town Clerk's office	175,663	175,663	172,806	2,857
Registrars/elections	44,633	44,633	43,099	1,534
General insurance	282,300	282,300	282,132	168
Probate court	13,957	13,957	13,957	-
Employee benefits	1,467,820	1,258,637	1,239,070	19,567
Information technology	72,402	72,402	71,826	576
Contingency	65,000			-
Total general government	3,737,674	3,565,789	3,441,343	124,446
Public Safety:				
Police administration	285,521	298,897	297,785	1,112
Police regular patrol	1,343,333	1,329,957	1,310,423	19,534
Lake patrol	3,706	4,846	4,843	3
Animal Control	39,556	39,556	38,688	868
Firefighting	277,818	277,818	273,642	4,176
Fire Marshal	46,455	46,470	46,470	-
Town center fire system	14,150	14,150	12,429	1,721
Ambulance association	6,910	6,910	2,619	4,291
Civil Preparedness	16,200	16,200	16,025	175
Communications	121,158	121,158	120,612	546
Street lighting	59,000	59,000	55,301	3,699
Total public safety	2,213,807	2,214,962	2,178,837	36,125
Public Works:				
Public Works	1,265,670	1,249,515	1,249,515	-
Engineering	60,000	57,180	56,261	919
Town Garage	59,731	59,731	56,399	3,332
Townwide motor fuel	187,880	187,880	185,078	2,802
Road materials	325,500	344,180	344,173	7
Transfer station	134,823	135,118	135,114	4
Septage disposal	2,400	2,400	2,232	168
Total public works	2,036,004	2,036,004	2,028,772	7,232
Regulatory:				
Planning, zoning and buildings	332,218	358,568	358,567	1
Economic development commission	10,827	10,827	3,743	7,084
Conservation and lake commission	20,682	20,682	11,669	9,013
Redevelopment agency	3,167	3,237	3,235	2
Middle Haddam Historic District	1,770	1,770	945	825
Total regulatory	368,664	395,084	378,159	16,925

(Continued)

Town of East Hampton, Connecticut

General Fund
Schedule of Expenditures and Other Financing Uses
Budget and Actual
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Health and Human Services:				
Chatham Health District	\$ 110,407	\$ 110,407	\$ 110,407	\$ -
Human Services	110,993	110,993	110,363	630
Senior Center	108,244	108,244	100,971	7,273
Transportation	54,100	54,100	52,600	1,500
Cemetery care	5,000	5,000	4,316	684
Community Services	4,500	4,650	4,650	-
Total health and human services	393,244	393,394	383,307	10,087
Culture and Recreation:				
Park and recreation	371,516	371,516	370,695	821
Arts & cultural commission	2,350	2,350	1,007	1,343
Community Center	158,637	160,797	160,796	1
Library	433,023	433,023	390,557	42,466
Middle Haddam Library	20,000	20,000	20,000	-
Total culture and recreation	985,526	987,686	943,055	44,631
Education	27,530,863	28,085,794	28,009,279	76,515
Debt Service	1,102,277	1,102,277	1,076,026	26,251
Total Expenditures	38,368,059	38,780,990	38,438,778	342,212
Other Financing Uses:				
Transfers to other funds:				
Capital Reserve Fund	811,384	1,464,384	1,464,384	-
Water System	23,532	23,532	23,532	-
Debt Service	35,000	35,000	35,000	-
Total other financing uses	869,916	1,522,916	1,522,916	-
Total Expenditures and Other Financing Uses	\$ 39,237,975	\$ 40,303,906	\$ 39,961,694	\$ 342,212

(Concluded)

Town of East Hampton, Connecticut

General Fund
Board of Education
Schedule of Expenditures Compared with Appropriations
Year Ended June 30, 2014

	Original Appropriation	Final Appropriation	Expenditures	Variance with Final Budget
Certified salaries	\$ 13,839,310	\$ 13,839,310	\$ 13,713,642	\$ 125,668
Classified salaries	3,597,782	3,597,782	3,612,860	(15,078)
Employee benefits:				
Medical and dental	3,651,437	3,651,437	3,382,730	268,707
Unemployment compensation	49,260	49,260	4,456	44,804
Social Security	241,201	241,201	231,465	9,736
Medicare	238,270	238,270	225,129	13,141
Pension	382,000	382,000	382,000	-
DC plan contribution			3,747	(3,747)
Workmen's compensation	120,818	120,818	116,868	3,950
Life insurance	42,000	42,000	39,484	2,516
Other	1,980	1,980	115	1,865
Tuition	614,346	1,169,277	1,263,786	(94,509)
Pupil transportation	1,257,691	1,257,691	1,311,071	(53,380)
Other transportation	44,872	44,872	51,040	(6,168)
Computer consulting services	101,170	101,170	125,145	(23,975)
Meetings and conferences	43,800	43,800	48,604	(4,804)
Professional/technical services	703,081	703,081	684,587	18,494
Public utilities	33,000	33,000	31,078	1,922
Building, equipment maintenance and repairs	241,568	241,568	260,477	(18,909)
Heating, ventilation maintenance and repairs	35,000	35,000	57,133	(22,133)
Security system maintenance and repairs	2,500	2,500	1,900	600
Vehicle maintenance and repairs	2,500	2,500	77	2,423
Supplies, materials and minor equipment	438,925	438,925	465,367	(26,442)
Fire protection	24,000	24,000	24,802	(802)
Refuse removal	34,000	34,000	23,896	10,104
Water and underground tank testing	5,000	5,000	2,801	2,199
Pest control	3,500	3,500	6,660	(3,160)
Tile and carpet replacement	500	500		500
Equipment rental	135,528	135,528	97,039	38,489
Property and liability insurance	147,282	147,282	138,768	8,514
Staff travel	13,012	13,012	11,682	1,330
Communications	49,655	49,655	49,378	277
Newspaper advertising	1,613	1,613	5,714	(4,101)
Printing and binding	28,083	28,083	17,144	10,939
Other purchased services	57,918	57,918	74,073	(16,155)
Heating oil	409,500	409,500	482,603	(73,103)
Motor fuel	166,800	166,800	172,628	(5,828)
Electricity	403,000	403,000	375,824	27,176
Bottled gas	2,500	2,500	3,389	(889)
Textbooks	106,607	106,607	108,629	(2,022)
Library books/periodicals	32,276	32,276	24,487	7,789
Other supplies and materials	63,231	63,231	47,027	16,204
Dues and fees	53,284	53,284	47,653	5,631
Equipment	110,663	110,663	282,321	(171,658)
Technology software	400	400	-	400
Total expenditures - Schedule 2	\$ 27,530,863	\$ 28,085,794	\$ 28,009,279	\$ 76,515

Town of East Hampton, Connecticut

Report of Tax Collector

Year Ended June 30, 2014

Grand List	Uncollected Taxes July 1, 2013	Current Tax Levy	Assessor's		Transferred To Suspense	Net Amount Collectible	Collections			Uncollected Taxes June 30, 2014
			Additions	Deductions			Taxes	Interest and Liens	Total	
2012	\$ -	\$ 30,224,943	\$ 42,979	\$ 83,519	\$ 5,632	\$ 30,178,771	\$ 29,481,088	\$ 99,018	\$ 29,580,106	\$ 697,683
2011	688,468		2,802	12,519	11,257	667,494	287,356	67,247	354,603	380,138
2010	311,364		77	2,048	6,744	302,649	79,036	24,871	103,907	223,613
2009	167,461		75	225	2,945	164,366	28,873	20,501	49,374	135,493
2008	98,387		72	260	2,194	96,005	16,661	15,471	32,132	79,344
2007	57,062				2,312	54,750	10,924	14,235	25,159	43,826
2006	21,932				2,883	19,049	2,838	3,020	5,858	16,211
2005	10,991				561	10,430	1,646	2,066	3,712	8,784
2004	3,322					3,322	902	663	1,565	2,420
2003	579					579			-	579
2002	281					281			-	281
2001	575					575			-	575
<hr/>										
	\$ 1,360,422	\$ 30,224,943	\$ 46,005	\$ 98,571	\$ 34,528	\$ 31,498,271	29,909,324	247,092	30,156,416	\$ 1,588,947
<hr/>										
Suspense collections							3,262		3,262	
Suspense interest and liens								3,230	3,230	
Total							\$ 29,912,586	\$ 250,322	\$ 30,162,908	

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are designated or legally restricted to expenditures for specific purposes. The nature and purpose of each Special Revenue Fund is as follows:

Fund	Funding Source	Function
Septage Disposal	Septage fees	Accumulation of resources for debt payments
Water System	User fees	Water operations
Public Safety	Fees	Police outside services
Culture and Recreation	User fees	Recreation programs
School Cafeteria	Sale of lunches and grants	Cafeteria operations
Education Grant	Federal and State grants	Education related programs
Public Works	Federal and State grants	Public works projects
Community Development	Federal grants	Town development programs
Miscellaneous Grants	Federal and State grants	Civic and human services and capital related purposes
Beneficial Assessment	Assessments	Accumulation of resources for debt payments
WPCA Joint Facilities	Member town fees	Regional sewer facility operations
WPCA Operating	User fees	Sewer operations

Debt Service

The debt service fund is used for retirement payouts for accumulated sick and vacation time and other long-term obligations.

Capital Projects Funds

Capital project funds are used to account for the acquisition and construction of major capital facilities.

WPCA Development - acquisition and construction related to the WPCA operations.

WPCA - acquisition and construction related to the WPCA.

WPCA Joint Facilities - acquisition and construction related to WPCA Joint Facilities.

Public Water System - construction related to the development of a public water system.

Permanent Fund

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

Library Trust Fund - support and benefit of the Town's library.

Town of East Hampton, Connecticut

Schedule 5
(1 of 3)

Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2014

	Special Revenue Funds					
	Water System	Public Safety	Culture and Recreation	School Cafeteria	Education Grant	Public Works
<u>Assets</u>						
Cash	\$	\$ 685	\$ 133,547	\$ 17,896	\$ 378,018	\$
Investments		216,170				
Receivables:						
Assessments and user charges	6,263					
Intergovernmental			41,039	31,846	70,833	
Loans						
Other				296		
Due from other funds	43,075				11,407	321,461
Other				6,332		
Total assets	\$ 49,338	\$ 216,855	\$ 174,586	\$ 56,370	\$ 460,258	\$ 321,461
<u>Liabilities</u>						
Accounts payable	\$ 5,087	\$ 9,199	\$ 14,988	\$ 2,373	\$ 14,209	\$ 3,166
Due to other funds			3,053			
Unearned revenue			56,246	2,504	4,000	
Total liabilities	5,087	9,199	74,287	4,877	18,209	3,166
<u>Deferred Inflows of Resources</u>						
Unavailable revenue - water charges	6,263					
Unavailable revenue - loans						
Unavailable revenue - sewer assessment and use charges						
Total deferred inflows of resources	6,263	-	-	-	-	-
<u>Fund Balances</u>						
Nonspendable						
Restricted	37,988			51,493		
Committed		207,656	100,299		442,049	318,295
Assigned						
Total fund balances	37,988	207,656	100,299	51,493	442,049	318,295
Total liabilities, deferred inflows of resources and fund balances	\$ 49,338	\$ 216,855	\$ 174,586	\$ 56,370	\$ 460,258	\$ 321,461

(Continued)

Town of East Hampton, Connecticut

Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2014

	Special Revenue Funds						Debt Service	
	Community Development	Miscellaneous Grants	Beneficial Assessment	WPCA Joint Facilities	WPCA Operating	Total Special Revenue Funds	Debt Service	
<u>Assets</u>								
Cash	\$	\$ 118,175	\$	\$ 54,772	\$ 731,971	\$ 1,435,064	\$	36,263
Investments	36,575	134,496	1,005,089	23,400		1,415,730		430,698
Receivables:								
Assessments and user charges			242		226,734	233,239		
Intergovernmental		13,432				157,150		
Loans	209,607					209,607		
Other				13,066		13,362		
Due from other funds		29,735	10,680	262,441	8,174	686,973		
Other					6,332	12,664		
Total assets	\$ 246,182	\$ 295,838	\$ 1,016,011	\$ 353,679	\$ 973,211	\$ 4,163,789	\$	466,961
<u>Liabilities</u>								
Accounts payable	\$	\$ 469	\$	\$ 80,152	\$ 23,117	\$ 152,760	\$	36,263
Due to other funds	29,735	189,762			382,185	604,735		198,510
Unearned revenue		49,014	242			112,006		
Total liabilities	29,735	239,245	242	80,152	405,302	869,501		234,773
<u>Deferred Inflows of Resources</u>								
Unavailable revenue - water charges						6,263		
Unavailable revenue - loans	209,607					209,607		
Unavailable revenue - sewer assessment and use charges					226,734	226,734		
Total deferred inflows of resources	209,607	-	-	-	226,734	442,604		-
<u>Fund Balances</u>								
Nonspendable						-		
Restricted	6,840		1,015,769	273,527	341,175	1,726,792		
Committed		56,593				1,124,892		
Assigned						-		232,188
Total fund balances	6,840	56,593	1,015,769	273,527	341,175	2,851,684		232,188
Total liabilities, deferred inflows of resources and fund balances	\$ 246,182	\$ 295,838	\$ 1,016,011	\$ 353,679	\$ 973,211	\$ 4,163,789	\$	466,961

(Continued)

Town of East Hampton, Connecticut

Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2014

	Capital Projects Funds				Permanent		Total Nonmajor Governmental Funds	
	WPCA Development	WPCA	WPCA Joint Facilities	Public Water System	Total Capital Projects Funds	Library Trust	Interfund Eliminations	
<u>Assets</u>								
Cash	\$	\$	\$ 1,070,144	\$	\$ 1,070,144	\$	\$	\$ 2,541,471
Investments					-	16,327		1,862,755
Receivables:								
Assessments and user charges	55,126				55,126			288,365
Intergovernmental					-			157,150
Loans					-			209,607
Other					-			13,362
Due from other funds	111,258	216,847		103,080	431,185		(515,000)	603,158
Other					-			12,664
Total assets	\$ 166,384	\$ 216,847	\$ 1,070,144	\$ 103,080	\$ 1,556,455	\$ 16,327	\$ (515,000)	\$ 5,688,532
<u>Liabilities</u>								
Accounts payable	\$ 1,320	\$	\$	\$	\$ 1,320	\$	\$	\$ 190,343
Due to other funds					-		(515,000)	288,245
Unearned revenue					-			112,006
Total liabilities	1,320	-	-	-	1,320	-	(515,000)	590,594
<u>Deferred Inflows of Resources</u>								
Unavailable revenue - water charges					-			6,263
Unavailable revenue - loans					-			209,607
Unavailable revenue - sewer assessment and use charges	55,126				55,126			281,860
Total deferred inflows of resources	55,126	-	-	-	55,126	-	-	497,730
<u>Fund Balances</u>								
Nonspendable					-	15,500		15,500
Restricted					-	827		1,727,619
Committed	109,938	216,847	1,070,144	103,080	1,500,009			2,624,901
Assigned					-			232,188
Total fund balances	109,938	216,847	1,070,144	103,080	1,500,009	16,327	-	4,600,208
Total liabilities, deferred inflows of resources and fund balances	\$ 166,384	\$ 216,847	\$ 1,070,144	\$ 103,080	\$ 1,556,455	\$ 16,327	\$ (515,000)	\$ 5,688,532

(Concluded)

Town of East Hampton, Connecticut

Schedule 6

(1 of 3)

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

	Special Revenue Funds						
	Septage Disposal	Water System	Public Safety	Culture and Recreation	School Cafeteria	Education Grant	Public Works
Revenues:							
Intergovernmental	\$	\$	\$ 12,993	\$ 252,937	\$ 153,264	\$ 657,097	\$
Charges for services		78,017	70,800	186,503	339,153	123,108	
Income from investments	4	5	19	14	6	33	1,136
Contributions and donations			1,935	7,898		25,167	
Miscellaneous			2,025	4,770		24,952	
Total revenues	4	78,022	87,772	452,122	492,423	830,357	1,136
Expenditures:							
Current:							
General government							
Public safety			120,380				
Public works and utilities		107,493					39,767
Culture and recreation				443,423			
Civic and human services							
Education					469,141	724,556	
Debt service:							
Principal payments							
Interest							
Capital outlay			8,405				
Total expenditures	-	107,493	128,785	443,423	469,141	724,556	39,767
Excess (Deficiency) of Revenues over Expenditures	4	(29,471)	(41,013)	8,699	23,282	105,801	(38,631)
Other Financing Sources (Uses):							
Transfers in		23,532					
Transfers out	(112,366)						(123,700)
Total other financing sources (uses)	(112,366)	23,532	-	-	-	-	(123,700)
Net Change in Fund Balances	(112,362)	(5,939)	(41,013)	8,699	23,282	105,801	(162,331)
Fund Balances - July 1, 2013	112,362	43,927	248,669	91,600	28,211	336,248	480,626
Fund Balances - June 30, 2014	\$ -	\$ 37,988	\$ 207,656	\$ 100,299	\$ 51,493	\$ 442,049	\$ 318,295

(Continued)

Town of East Hampton, Connecticut

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

	Special Revenue Funds					Total Special Revenue Funds	Debt Service
	Community Development	Miscellaneous Grants	Beneficial Assessment	WPCA Joint Facilities	WPCA Operating		Debt Service
Revenues:							
Intergovernmental	\$	\$ 49,963	\$	\$	\$	\$ 1,126,254	\$
Charges for services		28,510		851,076	1,048,228	2,725,395	
Income from investments	2	12	8,054	868	815	10,968	32
Contributions and donations						35,000	
Miscellaneous	29,735	2,569		6,321	8,450	78,822	
Total revenues	29,737	81,054	8,054	858,265	1,057,493	3,976,439	32
Expenditures:							
Current:							
General government		62,363				62,363	20,307
Public safety						120,380	
Public works and utilities				801,371	920,164	1,868,795	2,176
Culture and recreation						443,423	
Civic and human services		33,715				33,715	
Education						1,193,697	26,537
Debt service:							
Principal payments				25,796		25,796	
Interest				4,497		4,497	
Capital outlay				77,809	53,775	139,989	
Total expenditures	-	96,078	-	909,473	973,939	3,892,655	49,020
Excess (Deficiency) of Revenues over Expenditures	29,737	(15,024)	8,054	(51,208)	83,554	83,784	(48,988)
Other Financing Sources (Uses):							
Transfers in		29,735		33,000		86,267	35,000
Transfers out	(29,735)	(72,670)		(58,000)	(50,000)	(446,471)	
Total other financing sources (uses)	(29,735)	(42,935)	-	(25,000)	(50,000)	(360,204)	35,000
Net Change in Fund Balances	2	(57,959)	8,054	(76,208)	33,554	(276,420)	(13,988)
Fund Balances - July 1, 2013	6,838	114,552	1,007,715	349,735	307,621	3,128,104	246,176
Fund Balances - June 30, 2014	\$ 6,840	\$ 56,593	\$ 1,015,769	\$ 273,527	\$ 341,175	\$ 2,851,684	\$ 232,188

(Continued)

Town of East Hampton, Connecticut

Schedule 6

(3 of 3)

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

	Capital Projects Funds				Permanent		Total Nonmajor Governmental Funds
	WPCA Development	WPCA	WPCA Joint Facilities	Public Water System	Total Capital Projects Funds	Library Trust	Interfund Eliminations
Revenues:							
Intergovernmental	\$	\$	\$	\$	\$ -	\$	\$
Charges for services	56,534				56,534		
Income from investments	1,021	273	1,539		2,833		
Contributions and donations					-		
Miscellaneous					-		
Total revenues	57,555	273	1,539	-	59,367	-	-
Expenditures:							
Current:							
General government					-		
Public safety					-		
Public works and utilities	2,230				2,230		
Culture and recreation					-		
Civic and human services					-		
Education					-		
Debt service:							
Principal payments					-		
Interest					-		
Capital outlay					-		
Total expenditures	2,230			-	2,230	-	-
Excess (Deficiency) of Revenues over Expenditures	55,325	273	1,539	-	57,137	-	-
Other Financing Sources (Uses):							
Transfers in		50,000	170,366		220,366		(253,366)
Transfers out			(33,000)		(33,000)		253,366
Total other financing sources (uses)	-	50,000	137,366	-	187,366	-	-
Net Change in Fund Balances	55,325	50,273	138,905	-	244,503	-	-
Fund Balances - July 1, 2013	54,613	166,574	931,239	103,080	1,255,506	16,327	
Fund Balances - June 30, 2014	\$ 109,938	\$ 216,847	\$ 1,070,144	\$ 103,080	\$ 1,500,009	\$ 16,327	\$ -

(Concluded)

Internal Service Funds

Internal Service funds are used to account for the providing of goods or services provided by one department to other departments of the Town on a cost reimbursement basis or accounting for risk retention as allowed by GASB Statement No. 10.

Dental Insurance Fund

To account for self-insured dental benefits for Town and Board of Education employees.

Board of Education Retiree Benefits Fund

To account for medical and other benefits for Board of Education retirees.

Town of East Hampton, Connecticut

Internal Service Funds
Combining Statement of Net Position
June 30, 2014

	Dental Insurance	Board of Education Retiree Benefits	Total
<u>Assets</u>			
Cash	\$ 223,870	\$	\$ 223,870
Due from other funds		197,500	197,500
Total assets	223,870	197,500	421,370
<u>Liability</u>			
Claims payable	22,021		22,021
<u>Net Position</u>			
Unrestricted	\$ 201,849	\$ 197,500	\$ 399,349

Town of East Hampton, Connecticut

Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Year Ended June 30, 2014

	Dental Insurance	Board of Education Retiree Benefits	Total
Operating Revenues:			
Charges for services	\$ 281,787	\$	\$ 281,787
Operating Expenses:			
Claims	277,872		277,872
Administration	23,446		23,446
Total Operating Expenses	301,318	-	301,318
Change in Net Position	(19,531)	-	(19,531)
Total Net Position - July 1, 2013	221,380	197,500	418,880
Total Net Position - June 30, 2014	\$ 201,849	\$ 197,500	\$ 399,349

Town of East Hampton, Connecticut

Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2014

	Dental Insurance
Cash Flows From Operating Activities:	
Cash received for charges for services	\$ 281,787
Cash paid for benefits and claims	(285,636)
Cash paid for administration	(23,446)
	<hr/>
Net Cash Provided by (Used in) Operating Activities and Net Increase (Decrease) in Cash	(27,295)
Cash - July 1, 2013	<hr/> 251,165
Cash - June 30, 2014	\$ <u><u>223,870</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Operating income (loss)	\$ (19,531)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Increase (decrease) in:	
Claims payable	(7,764)
	<hr/>
Net Cash Provided by (Used in) Operating Activities	\$ <u><u>(27,295)</u></u>

Fiduciary Funds

Fiduciary funds are used to account for assets held by the Town in a trustee capacity for individuals, private organizations or other governments.

Agency Fund

Agency funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities).

Town of East Hampton, Connecticut

Agency Funds
Combining Statement of Changes in Assets and Liabilities
Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<u>Assets</u>				
Cash:				
Student Activity Fund	\$ 361,102	\$ 565,648	\$ 549,219	\$ 377,531
Developer Bond Fund	64,540	28	3,027	61,541
Total Cash	425,642	565,676	552,246	439,072
Investments:				
Volunteer Firemen Award Fund	868,209	149,352	31,548	986,013
Total Investments	868,209	149,352	31,548	986,013
Total Assets	\$ 1,293,851	\$ 715,028	\$ 583,794	\$ 1,425,085
<u>Liabilities</u>				
Accounts payable:				
Student Activity Fund	\$ 361,102	\$ 565,648	\$ 549,219	\$ 377,531
Developer Bond Fund	64,540	28	3,027	61,541
Volunteer Firemen Award Fund	868,209	149,352	31,548	986,013
Total Liabilities	\$ 1,293,851	\$ 715,028	\$ 583,794	\$ 1,425,085

Statistical Section

This part of the Town's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.

Contents

Financial Trends (Tables 1 - 4)

These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.

Revenue Capacity (Tables 5 - 7)

These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.

Debt Capacity (Tables 8 - 11)

These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.

Demographic and Economic Information (Tables 12 - 15)

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.

Operating Information (Tables 16-17)

These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Table 1**Town of East Hampton, Connecticut**

Net Position by Component
 Last Ten Years
 (Unaudited)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net investment in capital asset:	\$ 71,600,194	\$ 69,287,816	\$ 70,148,958	\$ 67,987,584	\$66,932,674	\$63,685,094	\$58,473,214	\$60,424,658	\$30,216,516	\$29,561,339
Restricted	1,743,119	2,241,000	3,183,000	3,031,388	3,026,010	16,261	16,105	16,814	17,431	17,072
Unrestricted	11,629,781	11,940,565	8,359,229	8,466,520	7,425,994	12,008,857	16,721,792	12,879,381	12,370,924	10,640,664
Total Net Position	<u>\$ 84,973,094</u>	<u>\$ 83,469,381</u>	<u>\$ 81,691,187</u>	<u>\$ 79,485,492</u>	<u>\$77,384,678</u>	<u>\$75,710,212</u>	<u>\$75,211,111</u>	<u>\$73,320,853</u>	<u>\$42,604,871</u>	<u>\$40,219,075</u>

Table 2

Town of East Hampton, Connecticut

Changes in Net Position
Last Ten Years
(Unaudited)

	Fiscal Year Ended									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Expenses:										
General government	\$ 2,607,793	\$ 2,663,044	\$ 2,447,985	\$ 2,443,122	\$ 3,175,055	\$ 3,843,123	\$ 2,806,092	\$ 2,688,056	\$ 2,863,707	\$ 2,231,747
Public safety	2,941,474	2,618,870	2,823,334	2,737,441	2,882,654	2,788,364	2,429,211	2,366,551	2,377,612	2,334,646
Civic and human services	727,068	458,228	436,539	362,272	477,033	997,140	368,356	337,184	287,554	314,598
Public works and utilities	5,188,262	5,297,481	5,364,060	5,325,891	4,792,395	5,373,203	5,173,124	4,838,968	4,341,583	4,062,603
Education	33,743,421	32,105,361	31,579,590	31,018,794	29,863,970	29,344,735	34,711,774	25,312,601	24,471,957	21,873,102
Regulatory	458,302	436,731	424,570	509,982	647,805	465,619	405,373	365,541	387,641	343,793
Culture and recreation	1,654,876	1,303,462	1,439,916	1,366,556	1,440,829	1,354,708	1,386,344	1,341,023	1,313,175	1,208,799
Interest on long-term debt	284,456	196,684	259,279	312,259	368,987	419,369	450,205	469,774	481,197	504,222
Total expenses	47,605,652	45,079,861	44,775,273	44,076,317	43,648,728	44,586,261	47,730,479	37,719,698	36,524,426	32,873,510
Program Revenues:										
Charges for services:										
General government	330,789	331,161	307,991	310,197	314,490	331,000	444,108	432,258	499,866	465,823
Public safety	82,916	87,190	77,903	48,487	199,872	306,825	61,697	102,218	48,535	51,237
Civic and human services	1,250	975	550	525	850	900	11,472	29,993	13,436	15,099
Public works and utilities	2,190,984	2,153,810	2,166,724	2,116,544	2,108,720	2,076,501	2,638,709	2,162,517	1,912,551	1,607,621
Education	462,261	454,627	501,103	517,287	580,766	498,749	468,912	502,271	489,650	475,082
Regulatory	146,059	107,721	110,638	95,970	170,035	109,184	257,085	270,305	324,079	366,787
Culture and recreation	206,256	196,679	209,251	218,155	231,110	247,327	512,574	277,038	303,116	293,230
Operating grants and contributions	13,204,237	12,414,880	12,786,216	12,786,945	12,048,503	12,133,613	18,389,367	10,089,877	10,089,752	8,634,397
Capital grants and contributions	1,570,666	981,075	1,422,995	496,985	1,196,987	1,368,159		206,205	1,324,242	1,850,348
Total program revenues	18,195,418	16,728,118	17,583,371	16,591,095	16,851,333	17,072,258	22,783,924	14,072,682	15,005,227	13,759,624
Net expenses	(29,410,234)	(28,351,743)	(27,191,902)	(27,485,222)	(26,797,395)	(27,514,003)	(24,946,555)	(23,647,016)	(21,519,199)	(19,113,886)
General Revenues:										
Property taxes	\$ 30,545,568	\$ 29,729,485	\$ 29,054,004	\$ 29,078,949	\$ 27,760,475	\$ 27,202,929	\$ 25,868,511	\$ 24,150,645	\$ 22,988,641	\$ 21,315,588
Grants and contributions not restricted to specific programs	218,407	227,704	229,541	251,865	264,189	359,057	425,663	406,978	411,922	460,453
Investment income	37,313	65,317	47,794	80,509	142,627	230,040	521,414	654,130	474,365	260,755
Miscellaneous	112,659	107,431	66,258	174,713	304,570	221,078	21,225	32,709	29,067	
Total General Revenues	30,913,947	30,129,937	29,397,597	29,586,036	28,471,861	28,013,104	26,836,813	25,244,462	23,903,995	22,036,796
Change in Net Position	\$ 1,503,713	\$ 1,778,194	\$ 2,205,695	\$ 2,100,814	\$ 1,674,466	\$ 499,101	\$ 1,890,258	\$ 1,597,446	\$ 2,384,796	\$ 2,922,910

Table 3

Town of East Hampton, Connecticut

Fund Balances, Governmental Funds
Last Ten Years
(Unaudited)

	Fiscal Year Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Fund:										
Nonspendable	\$	\$	\$ 215,550	\$	\$	\$	\$	\$	\$	\$
Assigned						1,687	1,888	1,888	12,640	27,657
Unassigned	4,872,509	4,873,812	4,365,605	4,350,654	4,083,407	4,592,586	4,569,543	3,942,876	3,599,359	3,294,342
Total General Fund	4,872,509	4,873,812	4,581,155	4,350,654	4,083,407	4,594,273	4,571,431	3,944,764	3,611,999	3,321,999
All Other Governmental Funds:										
Nonspendable	15,500	15,500	15,500	15,500	15,500	15,500	15,500	15,500	15,500	15,500
Restricted	1,727,619	2,225,500	3,167,500	3,015,888	3,010,510	5,817,523	6,242,711	5,513,518	4,658,276	3,960,399
Committed	5,912,955	5,748,389	3,332,988	3,183,240	3,007,118	842,102	58,005	242,138	115,881	164,841
Assigned	232,188	358,538	435,709	495,906	612,475	372,333	345,317	529,512	821,358	1,661,685
Unassigned			(320,066)	(2,615)	(5,976)					(3,353,908)
Total All Other Governmental Funds	7,888,262	8,347,927	6,631,631	6,707,919	6,639,627	7,047,458	6,661,533	6,300,668	5,611,015	2,448,517
Grand Total	\$ 12,760,771	\$ 13,221,739	\$ 11,212,786	\$ 11,058,573	\$ 10,723,034	\$ 11,641,731	\$ 11,232,964	\$ 10,245,432	\$ 9,223,014	\$ 5,770,516

Table 4

Town of East Hampton, Connecticut

Changes in Fund Balances, Governmental Funds
Last Ten Years
(Unaudited)

	Fiscal Year Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Property taxes	\$ 30,227,688	\$ 29,330,074	\$ 29,094,729	\$ 28,900,523	\$ 27,402,725	\$ 26,977,875	\$ 25,728,961	\$ 24,111,349	\$ 22,942,563	\$ 21,422,097
Intergovernmental	14,949,740	13,767,049	14,596,871	13,534,992	13,427,456	13,476,892	19,412,152	11,321,506	11,866,113	10,440,570
Charges for services	3,319,868	3,340,273	3,367,972	3,268,668	3,620,840	3,507,029	3,959,904	3,297,166	3,602,240	3,468,832
Income from investments	37,313	65,317	47,794	80,509	142,627	213,850	956,667	1,083,913	474,365	260,755
Contributions and donations	63,714	22,581	12,958	45,691	34,949	43,480	14,973	30,897	40,547	90,453
Miscellaneous	103,238	107,431	66,258	174,713	304,570	221,078	121,332	195,847	155,981	95,384
Total Revenues	48,701,561	46,632,725	47,186,582	46,005,096	44,933,167	44,440,204	50,193,989	40,040,678	39,081,809	35,778,091
Expenditures:										
Current:										
General government	3,555,998	3,588,818	3,371,103	4,003,971	3,894,843	3,561,676	3,492,675	3,923,904	3,558,311	2,852,719
Public safety	2,385,843	2,301,579	2,391,197	2,271,331	2,556,133	2,367,533	2,064,890	2,003,325	2,009,592	1,975,840
Public works and utilities	3,932,921	4,173,659	4,138,647	4,215,334	5,213,454	4,501,875	4,203,271	3,857,705	3,790,680	3,753,384
Culture and recreation	1,392,707	1,188,691	1,236,785	1,166,176	1,185,665	1,166,392	1,311,823	1,182,446	1,144,162	1,322,824
Civic and human services	679,756	416,126	395,823	556,741	376,385	353,640	597,669	306,090	247,240	283,644
Regulatory	378,159	364,173	359,986	430,430	449,453	393,412	321,864	302,164	320,056	283,927
Education	32,790,124	31,188,500	30,824,266	30,324,038	29,023,145	28,405,370	34,166,701	24,743,670	23,890,590	21,396,190
Debt service:										
Principal	914,545	977,727	998,844	1,442,383	1,655,951	1,669,547	2,081,470	2,154,642	2,238,077	2,267,555
Interest	191,774	224,294	257,686	300,219	333,558	483,480	403,298	462,820	467,577	478,351
Capital outlay	3,730,812	3,369,141	3,000,532	958,934	1,163,277	4,129,702	620,777	310,641	2,195,113	2,590,790
Total Expenditures	49,952,639	47,792,708	46,974,869	45,669,557	45,851,864	47,032,627	49,264,438	39,247,407	39,861,398	37,205,224
Excess (Deficiency) of Revenues Over Expenditures	(1,251,078)	(1,159,983)	211,713	335,539	(918,697)	(2,592,423)	929,551	793,271	(779,589)	(1,427,133)
Other Financing Sources (Uses):										
Issuance of debt	745,000	3,140,000				2,985,000			3,175,000	
Premium on bonds and notes	35,689	28,936				16,190			40,520	
Sale of equipment	9,421									
Transfers in	1,783,900	1,015,868	1,704,661	1,164,500	1,804,763	1,612,226	1,513,973	1,719,689	1,481,671	828,385
Transfers out	(1,783,900)	(1,015,868)	(1,762,161)	(1,164,500)	(1,804,763)	(1,612,226)	(1,513,973)	(1,719,689)	(1,481,671)	(828,385)
Net Other Financing Sources (Uses)	790,110	3,168,936	(57,500)	-	-	3,001,190	-	-	3,215,520	-
Net Change in Fund Balances	\$ (460,968)	\$ 2,008,953	\$ 154,213	\$ 335,539	\$ (918,697)	\$ 408,767	\$ 929,551	\$ 793,271	\$ 2,435,931	\$ (1,427,133)
Debt Service as a Percentage of Noncapital Expenditures	2.40%	2.72%	2.72%	3.93%	4.68%	12.33%	5.14%	6.82%	15.87%	8.10%

Table 5**Town of East Hampton, Connecticut**

Assessed and Estimated Actual Value of Taxable Property
Last Ten Years
(Unaudited)

Year Ended June 30	Real Estate		Personal Property		Total		Percentage of Total Assessed Value to Total Estimated Value	(1) Total Direct Tax Rate
	Net Assessed Value	Estimated Value	Net Assessed Value	Estimated Value	Net Assessed Value	Estimated Value		
2005	\$ 604,792,880	\$ 1,225,069,166	\$ 86,932,071	\$ 124,188,673	\$ 691,724,951	\$ 1,349,257,839	51.27%	30.19
2006	633,778,790	1,370,394,017	96,442,648	137,775,211	730,221,438	1,508,169,228	48.42%	30.81
2007	955,107,270	1,364,438,957	102,658,399	146,654,856	1,057,765,669	1,511,093,813	70.00%	22.48
2008	985,459,600	1,407,799,429	110,538,107	157,911,581	1,095,997,707	1,565,711,010	70.00%	23.30
2009	1,010,910,310	1,444,157,586	113,728,362	162,469,089	1,124,638,672	1,606,626,674	70.00%	23.81
2010	1,024,849,850	1,464,071,214	115,963,214	165,661,734	1,140,813,064	1,629,732,949	70.00%	24.01
2011	1,031,071,297	1,472,958,996	116,389,556	166,270,794	1,147,460,853	1,639,229,790	70.00%	24.98
2012	997,694,577	1,425,277,967	116,989,453	167,127,790	1,114,684,030	1,592,405,757	70.00%	25.68
2013	1,001,807,950	1,431,154,214	123,855,863	176,936,947	1,125,663,813	1,608,091,161	70.00%	25.97
2014	1,005,402,915	1,436,289,879	122,101,568	174,430,811	1,127,504,483	1,610,720,690	70.00%	26.63

Source: Town of East Hampton, Assessor's Office

(1) There are no overlapping governments or tax rates.

Table 6

Town of East Hampton, Connecticut

Principal Property Taxpayers
Current Year and Nine Years Ago
(Unaudited)

Name	Nature of Business	2014			2005		
		Assessed Value	Rank	Percentage Net Taxable Grand List (1)	Assessed Value	Rank	Percentage Net Taxable Grand List (1)
CT Light & Power Co.	Utility	\$ 14,616,000	1	1.30%	\$ 9,281,990	1	1.34%
Landmark East Hampton LLC	Mall Real Estate	7,400,000	2	0.66%			
Easthampton NE Development LLC	Real Estate Developer	3,309,880	3	0.29%			
American Distilling	Manufacturer	3,260,400	4	0.29%	3,272,530	3	0.47%
Skyline Estates LLC	Real Estate Developer	3,222,326	5	0.29%			
Rechovos	Real Estate Developer	2,605,131	6	0.23%			
East High Street Realty	Real Estate	2,336,370	7	0.21%	1,157,820	9	0.17%
Pauls & Sandys Too, Inc.	Real Estate - Commercial/Farm	2,076,740	8	0.18%			
Global Self Storage	Commercial Real Estate	1,856,452	9	0.16%			
Noslen, Inc./Gustine Family Ltd	Campground	1,850,440	10	0.16%	2,034,210	6	0.29%
Z Incorporated	Convalescent Home				1,420,190	7	0.21%
Toll Connecticut Limited Partnership	Real Estate				4,347,830	2	0.63%
Landmark East Hampton	Mall				2,744,740	4	0.40%
Tarragon Development LLC	Real Estate				1,341,260	8	0.19%
Comstock Trail LLC	Real Estate				1,007,880	10	0.15%
Nichols Bus Service, Inc.	Bus Company				2,201,366	5	0.32%
TOTAL		<u>\$ 42,533,739</u>		<u>3.77%</u>	<u>\$ 28,809,816</u>		<u>4.16%</u>

Source: Assessor's Office, Town of East Hampton

(1) Based on October 1, 2012 and 2003 net taxable Grand List of \$1,127,504,483 and \$691,724,951, respectively.

Table 7**Town of East Hampton, Connecticut****Tax Rates, Levies and Cash Collections
Last Ten Years
(Unaudited)**

Year Ended June 30	Mill Rate	(1) Total Adjusted Tax Levy	Net Current Levy Tax Collections	Percentage of Current Taxes Collected	Collections in Subsequent Years	Total Collections	Percent of Levy Collected	Current Delinquent Balance
2005	30.19	\$ 21,178,483	\$ 20,993,136	99.12%	\$ 184,768	\$ 21,177,904	100.00%	\$ 579
2006	30.81	22,858,750	22,613,423	98.93%	242,907	22,856,330	99.99%	2,420
2007	22.48	24,025,670	23,745,910	98.84%	270,976	24,016,886	99.96%	8,784
2008	23.30	25,712,774	25,357,394	98.62%	339,169	25,696,563	99.94%	16,211
2009	23.81	26,925,160	26,429,212	98.16%	452,122	26,881,334	99.84%	43,826
2010	24.01	27,458,502	26,889,271	97.93%	489,887	27,379,158	99.71%	79,344
2011	24.98	28,730,903	28,141,090	97.95%	454,320	28,595,410	99.53%	135,493
2012	25.68	28,705,137	28,141,477	98.04%	340,047	28,481,524	99.22%	223,613
2013	25.97	29,347,660	28,659,192	97.65%	308,330	28,967,522	98.70%	380,138
2014	26.63	30,178,771	29,481,088	97.69%		29,481,088	97.69%	697,683

(1) Adjusted tax levy equals the tax levy after lawful corrections, abatements and transfers to suspense.

NOTE: There are no overlapping of tax rates.

Source: Town of East Hampton Tax office

Table 8**Town of East Hampton, Connecticut**
**Ratios of Outstanding Debt By Type
 Last Ten Years
 (Unaudited)**

Year Ended June 30	General Obligation Bonds and BANs	Clean Water Notes	Premiums	Total	Percentage of Personal Income	Per Capita
2005	\$ 10,375,000	\$ 786,557	\$ 116,847	\$ 11,278,404	2.95%	\$ 946
2006	11,845,000	721,057	106,441	12,672,498	3.23%	1,039
2007	10,220,000	654,235	96,035	10,970,270	2.60%	881
2008	8,610,000	586,063	85,629	9,281,692	2.06%	740
2009	9,995,000	516,516	75,223	10,586,739	2.29%	844
2010	8,410,000	445,565	64,926	8,920,491	1.93%	699
2011	7,040,000	373,182	54,575	7,467,757	1.78%	574
2012	6,115,000	299,338	44,224	6,458,562	1.27%	497
2013	8,340,000	236,611	33,873	8,610,484	1.74%	665
2014	8,250,000	210,815	57,425	8,518,240	1.65%	660

Table 9**Town of East Hampton, Connecticut**
**Ratios of General Bonded Debt Outstanding
 Last Ten Years
 (Unaudited)**

Year Ended June 30	General Obligation Debt Outstanding (1)			Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds and BANs	Premiums	Total		
2005	\$ 10,375,000	\$ 116,847	\$ 10,491,847	0.84%	\$ 880
2006	11,845,000	106,441	11,951,441	0.84%	980
2007	10,220,000	96,035	10,316,035	0.73%	828
2008	8,610,000	85,629	8,695,629	0.59%	693
2009	9,995,000	75,223	10,070,223	0.66%	803
2010	8,410,000	64,926	8,474,926	0.55%	664
2011	7,040,000	54,575	7,094,575	0.46%	546
2012	6,115,000	44,224	6,159,224	0.41%	474
2013	8,340,000	33,873	8,373,873	0.54%	647
2014	8,250,000	57,425	8,307,425	0.53%	643

(1) There is no overlapping debt for the Town.

Note: Details regarding the Town's outstanding debt can be found in the notes to financial statements.

Town of East Hampton, Connecticut

Schedule of Debt Limitation
Connecticut Statutes, Section 7-374(b)
June 30, 2014
(Unaudited)

Tax base:

Total tax collections (including interest and lien fees)	<u>\$ 30,162,908</u>
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	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
<u>Debt limitation:</u>					
2 1/4 times base	\$67,866,543	\$	\$	\$	\$
4 1/2 times base		135,733,086			
3 3/4 times base			113,110,905		
3 1/4 times base				98,029,451	
3 times base					90,488,724
Total limitations	67,866,543	135,733,086	113,110,905	98,029,451	90,488,724
<u>Indebtedness:</u>					
Bonds/notes	6,497,000	1,753,000	210,815		
Less school building grants		(143,273)			
Less sewer assessment receivable			(242)		
Net indebtedness	6,497,000	1,609,727	210,573	-	-
Debt limitation in excess of outstanding debt	\$61,369,543	\$ 134,123,359	\$ 112,900,332	\$ 98,029,451	\$ 90,488,724

The total net indebtedness above amounts to:	<u>\$ 8,317,300</u>
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In no event shall total indebtedness exceed seven times the base for debt limitation computation:	<u>\$ 211,140,356</u>
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There is no overlapping debt for the Town.

Town of East Hampton, Connecticut

Legal Debt Margin Information
Last Ten Years
(Unaudited)

Year Ended June 30	Debt Limit	Net Debt Applicable To Limit	Legal Debt Margin	Total Net Debt Applicable
2005	\$ 150,227,000	\$ 9,648,000	\$ 140,579,000	6.42%
2006	162,155,000	9,874,000	152,281,000	6.09%
2007	169,056,699	10,401,858	158,654,841	6.15%
2008	180,607,840	9,183,692	171,424,148	5.08%
2009	188,416,039	10,511,516	177,904,523	5.58%
2010	191,450,035	7,924,285	183,525,750	4.14%
2011	201,940,109	6,912,469	195,027,640	3.42%
2012	203,328,377	6,084,708	197,243,699	2.99%
2013	204,978,284	8,807,952	196,170,332	4.30%
2014	211,140,356	8,317,300	202,823,056	3.94%

Table 12

Town of East Hampton, Connecticut

**Demographic and Economic Statistics
Last Ten Years
(Unaudited)**

Year Ended June 30	(1) Population	(4) Median Household Income	(3) Per Capita Income	(4) Median Age	(4) Education Level in Years of Formal Schooling	(2) School Enrollment	(3) Unemployment Rate
2005	11,927	\$ 97,874	\$ 32,080	32	30% Bachelor Degree or more	2,164	5.60%
2006	12,194	100,205	32,213	32	N/A	2,088	4.50%
2007	12,459	79,771	33,877	31	N/A	2,087	4.80%
2008	12,548	87,173	35,911	32	N/A	2,073	5.80%
2009	12,548	85,262	36,879	32	30% Bachelor Degree or more	2,064	7.70%
2010	12,766	90,470	36,115	32	30% Bachelor Degree or more	2,002	8.70%
2011	12,999	82,529	32,187	32	33% Bachelor Degree or more	1,944	9.60%
2012	12,989	90,539	39,293	39.9	37% Bachelor Degree or more	1,928	7.50%
2013	12,940	91,770	38,149	40	39% Bachelor Degree or more	1,882	7.50%
2014	12,912	93,083	40,017	41	40% Bachelor Degree or more	1,839	4.80%

(1) Source: State of Connecticut, Department of Health Services, US Census.

(2) Town of East Hampton, Board of Education.

(3) Department of Labor, State of Connecticut.

(4) Connecticut Economic Resource Center.

N/A - Information not available

Town of East Hampton, Connecticut

Principal Employers
Current Year and Nine Years Ago
(Unaudited)

Employer	2014			2005		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Town of East Hampton	386	1	20.46%	325	1	18.43%
Stop & Shop Supermarket	150	2	7.95%			
Nichols Bus Service, Inc.	110	3	5.83%	100	2	5.67%
Cobalt Lodge	74	4	3.92%	70	3	3.97%
Northeast Utilities	50	5	2.65%	50	4	2.84%
American Distilling	50	6	2.65%	45	5	2.55%
Paul's & Sandy's Too Inc.	35	7	1.85%	14	7	0.79%
CVS	32	8	1.70%			
Bevin Brothers	18	9	0.95%	30	6	1.70%
TOTAL	905		47.96%	634		35.96%

Source: Connecticut Department of Labor

Note: All other employers have less than 10 employees.

Table 14

Town of East Hampton, Connecticut

Full-Time Equivalent Town Government Employees by Function/Program
Last Ten Years
(Unaudited)

Function / Program	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<u>Administrative and General Government</u>										
Town Clerk	2.5	2.5	2.5	2.5	3.0	3.0	3.0	3.0	3.0	3.0
Town Manager's Office	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Registrar of Voters	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Town Planning and Zoning	4.0	4.0	4.0	4.0	5.0	5.0	3.0	3.0	3.5	3.5
Human Resources	1.5	1.5	1.5	1.5	1.0	1.0	1.0	1.0	1.0	1.0
Facilities / Building Maintenance	1.0	3.0	3.5	3.3	3.3	3.3	3.3	3.0	3.0	3.0
<u>Finance</u>										
Finance	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Assessor	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Tax Collector	2.5	2.5	2.5	3.0	3.0	3.0	3.0	3.0	3.0	3.0
<u>Public Safety</u>										
Fire Marshal	0.5	0.5	0.5	0.5	0.5	0.5	1.0	1.0	1.0	1.0
Police	17.0	17.0	17.0	17.0	19.0	19.0	19.0	18.0	18.0	18.0
Animal Control	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Emergency Communications Center	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<u>Public Works</u>										
Public Works Administration	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Public Works Operations	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0
Water Pollution Control	10.5	10.5	11.0	11.0	11.0	11.0	10.0	10.0	10.0	10.0
<u>Health, Social and Senior Services</u>										
Health	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Social and Human Services	1.0	1.3	1.3	1.3	1.3	1.5	1.5	1.5	1.5	1.5
Senior Services	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.5
<u>Library</u>	8.0	8.0	8.0	8.0	7.5	7.5	7.5	7.0	7.0	6.0
<u>Recreation</u>										
Parks and Recreation	5.0	5.0	5.5	5.2	5.2	5.0	5.0	5.0	5.0	5.0
Grand Total	84.0	86.3	87.8	87.8	90.3	90.3	87.8	86.0	86.5	85.0

Source: Town Human Resources Department.

Table 15

Town of East Hampton, Connecticut

Full-Time Equivalent Employees by Function/Program
Last Ten Years
(Unaudited)

Function / Program	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<u>Town</u>										
Administrative and General Government	13.00	15.00	15.50	15.30	16.30	16.30	14.30	14.00	14.50	14.50
Finance	10.00	10.00	10.00	10.50	10.50	10.50	10.50	10.50	10.50	10.50
Public Safety	18.50	18.50	18.50	18.50	20.50	20.50	21.00	20.00	20.00	20.00
Public Works	26.50	26.50	27.00	27.00	27.00	27.00	26.00	26.00	26.00	26.00
Health, Social and Senior Services	3.00	3.30	3.30	3.30	3.30	3.50	3.50	3.50	3.50	3.00
Library	8.00	8.00	8.00	8.00	7.50	7.50	7.50	7.00	7.00	6.00
Recreation	5.00	5.00	5.50	5.20	5.20	5.00	5.00	5.00	5.00	5.00
Total	84.00	86.30	87.80	87.80	90.30	90.30	87.80	86.00	86.50	85.00
<u>Board of Education</u>										
Certified	176.40	175.40	174.00	177.00	177.00	180.00	176.00	165.00	164.00	N/A
Non-Certified	126.00	126.00	126.00	123.00	123.00	123.00	115.00	108.00	94.00	N/A
Total	302.40	301.40	300.00	300.00	300.00	303.00	291.00	273.00	258.00	-
Total	386.40	387.70	387.80	387.80	390.30	393.30	378.80	359.00	344.50	85.00

Source: Town and Board of Education Human Resource Departments.

Table 16

Town of East Hampton, Connecticut
Operating Indicators by Function/Program
Last Ten Years
(Unaudited)

Function / Program	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Public safety										
Fire										
Incidents	350	413	445	400	334	323	361	341	345	322
Fire Marshall Inspections	193	174	133	206	226	258	277	235	265	219
Police										
Criminal arrests	139	144	129	247	177	210	170	201	181	164
Parking violations	15	1	2	9	-	12	9	20	12	18
Citations	207	133	418	228	380	293	232	373	384	273
Public works										
Street resurfacing (paved miles)	-	5.12	7.90	6.00	6.15	10.59	-	6.80	-	4.55
Storm drains cleaned	972	-	300	1,024	356	940	1,029	2,529	2,234	1,309
Parks and recreation										
Sessions / Classes	228	285	220	200	225	275	325	260	260	240
Program enrollments	3536	2469	1,978	3,040	2,562	3,772	4,000	3,700	4,125	3,660
Library										
Volumes in collection	69,908	69,908	72,543	70,104	74,721	74,085	69,680	65,782	61,477	57,489
Total volumes borrowed	141,078	141,451	138,967	138,042	134,974	129,772	124,887	118,958	108,321	101,950
Education										
School enrollment	1,839	1,882	1,928	1,944	2,002	2,064	2,073	2,087	2,088	2,164

Source: Various Town Departments.

N/A - Information not available

Town of East Hampton, Connecticut
Capital Asset Statistics by Function/Program
Last Ten Years
(Unaudited)

Function / Program	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Parks and Recreation:										
Playgrounds	12	12	12	12	12	12	12	12	12	11
Baseball/softball diamonds	4	4	4	4	4	4	4	4	4	4
Soccer	4	4	4	4	4	4	4	4	4	4
Community centers	1	1	1	1	1	1	1	1	1	1
Public Safety:										
Fire Stations	3	3	3	3	3	3	3	3	3	3
Police department										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	9	9	9	9	9	9	8	8	8	7
Public Works:										
Highway department										
Streets (miles)	91.1	91.1	91.1	90.8	90.4	90.0	88.5	88.5	88.5	87.0
Wastewater										
Sanitary sewers (miles)	42.96	42.96	42.96	42.96	42.96	42.96	40.38	40.38	40.10	39.35
Treatment capacity (thousands of gallons)	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800
Libraries:										
Number of public libraries	2	2	2	2	2	2	2	2	2	2
Education:										
High schools	1	1	1	1	1	1	1	1	1	1
Middle schools	1	1	1	1	1	1	1	1	1	1
Elementary schools	2	2	2	2	2	2	2	2	2	2

Source: Town capital asset records and various Town Departments.