



November 23, 2016

**MEMORANDUM TO PROSPECTIVE BIDDERS**

**Re: TOWN OF EAST HAMPTON, CONNECTICUT  
\$7,000,000 General Obligation Bond Anticipation Notes**

**Dated: December 15, 2016      Date of Sale: Wednesday, November 30, 2016  
Due: September 14, 2017      Time of Sale: 11:30 A.M. (Eastern Time)**

***\*\*Phone Number to Place Bid: (203) 878-4945\*\****

As per the Notice of Telephone Sale, proposals may be submitted by telephone on Wednesday, November 30, 2016. Please note that a representative of Phoenix Advisors, LLC will be available until 11:30 A.M. (Eastern Time) on the day of the sale to assist with telephone bids. We ask that you submit your final bid by telephone at **(203) 878-4945 no later than 11:30 A.M. on Wednesday, November 30, 2016.**

*The issue of notes is exempt from the provisions of Rule 15c2-12, as amended, of the Securities and Exchange Commission. No Official Statement has been prepared by or on behalf of the Issuer for this sale.*

The General Purpose Financial Statements have been excerpted from the Annual Financial Report of The Town of East Hampton, Connecticut as of June 30, 2015. These excerpts are included in this package. Copies of the complete reports for June 30<sup>th</sup> are available upon request from Phoenix Advisors, LLC, Attention: Matthew A. Spoerndle, Senior Managing Director, 53 River Street, Suite 1, Milford, Connecticut, telephone (203) 878-4945.

We trust we may be of service.

**PHOENIX ADVISORS, LLC**



## **Telephone Sale Term Sheet**

**\$7,000,000**

### **General Obligation Bond Anticipation Notes Town of East Hampton, Connecticut**

<b>Date of Sale:</b>	Wednesday, November 30, 2016 at 11:30 A.M. (Eastern Time).
<b>Location of Sale:</b>	The offices of Phoenix Advisors, LLC, 53 River Street, Suite 1, Milford, Connecticut 06460. Tel: (203) 878-4945.
<b>Issuer:</b>	Town of East Hampton, Connecticut (the "Town").
<b>Issue:</b>	\$7,000,000 General Obligation Bond Anticipation Notes (the "Notes").
<b>Dated Date:</b>	December 15, 2016.
<b>Interest Due:</b>	At maturity: September 14, 2017.
<b>Principal Due:</b>	At maturity: September 14, 2017.
<b>Authorization and Purpose:</b>	The Notes are being issued to finance high school renovations.
<b>Redemption:</b>	The Notes are NOT subject to redemption prior to maturity.
<b>Denominations:</b>	\$100,000 or whole multiples thereof.
<b>Security:</b>	The Notes will be general obligations of the Town of East Hampton, Connecticut, and the Town will pledge its full faith and credit to the payment of principal of and interest on the Notes when due.
<b>Credit Rating:</b>	No application for a credit rating has been made to any rating agency for a rating on the Notes.
<b>Basis of Award:</b>	Lowest Net Interest Cost (NIC), as of the dated date.
<b>Tax Exemption:</b>	See Appendix "Opinion of Bond Counsel and Tax Exemption."
<b>Bank Qualification:</b>	The Notes <u>shall</u> be designated by the Issuer as qualified tax-exempt obligations under the provision of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions of interest expense allocable to the Notes.
<b>Registrar, Transfer Agent, Certifying Agent and Paying Agent:</b>	U.S. Bank National Association, Goodwin Square, 225 Asylum Street, Hartford, Connecticut 06103.
<b>Financial Advisor:</b>	Phoenix Advisors, LLC, of Milford, Connecticut. Telephone (203) 878-4945.
<b>Legal Opinion:</b>	Day Pitney LLP, of Hartford, Connecticut.
<b>Delivery and Payment:</b>	It is expected that delivery of the Notes in book-entry-only form will be made to The Depository Trust Company on or about December 15, 2016. Delivery of the Notes will be made against payment in Federal Funds.
<b>Issuer Official:</b>	Questions concerning the Official Statement should be addressed to Jeffery Jylkka, Finance Director/Treasurer, Town of East Hampton, Town Hall, 20 East High Street, East Hampton, Connecticut 06424. Telephone: (860) 275-7548.

**NOTICE OF TELEPHONE SALE**  
**\$7,000,000**  
**Town of East Hampton, Connecticut**  
**Bond Anticipation Notes**  
**(BOOK-ENTRY)**

TELEPHONE PROPOSALS will be received by the Town of East Hampton, Connecticut until **11:30 A.M. Eastern Time on WEDNESDAY,**

**NOVEMBER 30, 2016**

for the purchase of \$7,000,000 Bond Anticipation Notes of the Town of East Hampton, dated December 15, 2016, maturing on September 14, 2017 (the "Notes").

The Town will designate the Notes as "qualified tax-exempt obligations" for purposes of the deduction for Federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

The Notes will be payable with interest at maturity. Interest shall be computed on the basis of a 30-day month and a 360-day year. The Notes are not subject to redemption prior to maturity.

The Notes will be general obligations of the Town payable from ad valorem taxes levied on all taxable property in the Town without limitation as to rate or amount except classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts.

**DTC Book-Entry.** The Notes will be issued by means of a book-entry system with no physical distribution of note certificates made to the public. The Notes will be issued in registered form and one note certificate for each interest rate will be issued to The Depository Trust Company ("DTC"), New York, New York, registered in the name of its nominee, Cede & Co., and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the Notes in principal amounts of \$100,000 or any integral multiple thereof, with transfers of ownership effected on the records of DTC and its Participants pursuant to rules and procedures adopted by DTC and its Participants. The purchaser, as a condition to delivery of the Notes, will be required to deposit the note certificates with DTC, registered in the name of Cede & Co. Principal of and interest on the Notes will be payable by the Town or its agent to DTC or its nominee as registered owner of the Notes. Principal and interest payments by DTC to Participants of DTC will be the responsibility of DTC; principal and interest payments to Beneficial Owners by Participants of DTC will be the responsibility of such Participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for payments by DTC to its Participants or by DTC Participants or Indirect Participants to Beneficial Owners or for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants.

In the event that (a) DTC determines not to continue to act as securities depository for the Notes and the Town fails to identify another qualified securities depository to replace DTC, or (b) the Town determines to discontinue the book-entry system of evidence and transfer of ownership of the Notes, the Town will authenticate and deliver replacement Notes in the form of fully registered certificates. Any such replacement Notes, will provide that principal of and interest on the Notes will be payable to the registered owner upon presentation and surrender of the Notes at the principal office of the Paying Agent, or of its successors as paying agent for the Notes.

**Option For No Book Entry.** A bidder for the Notes may request that the Notes be issued in the form of a single fully registered physical certificate in the par amount of the Notes, rather than in book-entry form through the facilities of DTC, provided the bid is for all the Notes at the same interest rate. A bidder for the Notes requesting that the Notes be issued in non-book-entry form may request that it be designated by the Town as the Certifying Agent, Registrar and Paying Agent for the Notes if it is a bank or trust company authorized to act in such capacity pursuant to the Connecticut General Statutes. Any bidder seeking to have the Notes issued in non-book-entry form,

or to be designated as Certifying Agent, Registrar and Paying Agent for such Notes, shall indicate this preference to the Town at the time of the submission of the bid. The Town reserves the right to decline any request to issue the Notes in non-book entry form, or to designate the successful bidder as Certifying Agent, Registrar and Paying Agent for the Notes, if it should determine, in its sole discretion, that issuing the Notes in such manner or with such designation is not in its best interests. If the Notes are issued in non-book-entry form, the successful bidder, and any subsequent registered owner of the Notes, shall not impose on or charge the Town any costs or expenses of any re-registration or transfer of Notes from time to time, including any costs of counsel or of converting the Notes to book-entry only form, or for any costs or expenses of services as Certifying Agent, Registrar and Paying Agent for the Notes if the successful bidder is so designated.

**Proposals.** Proposals may be made for all or any part of the Notes. No proposal for less than the minimum denomination or for less than par and accrued interest will be entertained. Each proposal must state one rate of interest in a multiple of one-hundredth (1/100) of one-percent (1%) per annum for each part of the Notes bid for in the proposal.

**Telephone Proposals Bidding Procedure.** Telephone bids for the purchase of the Notes will be received on behalf of the Town by telephone call to a representative of Phoenix Advisors, LLC, 53 River Street, Milford, Connecticut at (203) 878-4945.

**Basis of Award.** As between proposals which comply with this Notice, the Notes will be sold to the responsible bidder or bidders offering to purchase the Notes at the lowest net interest rate, which will be determined for each interest rate stated in the proposal based on the total interest to be payable at such rate and deducting therefrom any premium. If there is more than one responsible bidder making said offer at the same lowest net interest rate, the Notes will be sold to the responsible bidder with a proposal for the highest principal amount of Notes specified or, if the same principal amount of Notes is specified in such proposals, to the responsible bidder whose proposal is selected by the Town by lot from among all such proposals. If a bidder is awarded only a part of the Notes, any premium offered in such proposal will be proportionately reduced so that the resulting net interest rate with respect to the Notes awarded is the same as that contained in the bidder's proposal with respect to the entire amount bid at such rate, carried to four places.

The Town reserves the right to award to any bidder all or any part of the Notes bid for in its proposal. The right is reserved to reject any and all proposals and to reject any proposal not complying with this Notice of Sale and to waive any irregularity or informality with respect to any proposal.

The Town further reserves the right to postpone the sale to another time and date in its sole discretion for any reason. The Town will use its best efforts to notify prospective bidders in a timely manner of any need for a postponement. If the sale is postponed, an alternative bid date will be published on Bloomberg at least 48 hours prior to such alternative bid date. Upon the establishment of an alternative bid date, any bidder may submit proposals for the purchase of the Bonds in accordance with the provisions of this Notice of Sale.

**Certifying and Paying Agent.** Unless the successful bidder on the Notes is designated as the Certifying Agent, Registrar and Paying Agent for the Notes as provided in "Option For No Book Entry" above, the Notes will be authenticated by U.S. Bank National Association, Hartford, Connecticut, which will also act as Registrar and Paying Agent.

**Delivery.** At or prior to the delivery of the Notes the successful bidder shall be furnished, without cost, with (a) the approving opinion of Day Pitney LLP of Hartford, Connecticut, Bond Counsel; (b) a signature and no litigation certificate, in form satisfactory to said firm, dated as of the date of delivery of the Notes and receipt of payment therefor, and stating that there is no litigation pending, or to the knowledge of the signer or signers thereof threatened, affecting the validity of the Notes or the power of the Town to levy and collect taxes to pay them; and (c) a receipt of payment for the Notes. U.S. Bank National Association will keep the original opinion and certificates and copies of the supporting documents, which may be examined at its principal office in Hartford, Connecticut, upon reasonable notice.

**Bond Counsel Opinion.** The opinion of Bond Counsel will cover the following matters: (1) that the Notes will be valid general obligations of the Town when duly certified; (2) that, assuming the accuracy of and compliance by the

Town with its representations and covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended, under existing statutes, interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; the Notes are not "private activity bonds" and interest on the Notes is not treated as a preference item for purposes of calculating the Federal alternative minimum tax, but in the case of corporations a portion of such interest may be included in alternative minimum taxable income for purposes of computing any Federal alternative minimum tax; and the Notes are "qualified tax-exempt obligations"; and (3) that, under existing statutes, interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the Notes is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

**No Continuing Disclosure or Official Statement.** Since the Notes mature not more than nine months from the date of issue and are in denominations of \$100,000 or more, the undertaking to provide an official statement or continuing disclosure under SEC Rule 15c2-12 does not apply to the Notes. Therefore, the Town will not provide an official statement nor enter into a Continuing Disclosure Agreement with respect to the Notes.

**CUSIP Numbers.** The deposit of the Notes with DTC under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the purchaser to apply for CUSIP numbers for the Notes prior to delivery. Neither the failure to print such CUSIP number on any note, nor any error with respect thereto, shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Notes. All expenses in relation to the printing of CUSIP numbers on the Notes shall be paid for by the Town; provided, however, that the Town assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid for by the purchaser.

**Reoffering Prices. IT SHALL BE THE RESPONSIBILITY OF THE PURCHASER TO FURNISH TO THE TOWN IN WRITING BEFORE THE DELIVERY OF THE NOTES THE REOFFERING PRICES AT WHICH A SUBSTANTIAL PORTION OF THE NOTES WERE SOLD.** The successful bidder may specify that the Bonds as "not reoffered" if the successful bidder certifies that it purchased the specified Bonds for its own account (or the account of a related party) without any present intention of reoffering such Notes to any other investor.

**Delivery Date and Payment.** The Notes will be delivered against payment in immediately available Federal funds through the facilities of The Depository Trust Company, New York, New York on December 15, 2016.

**More Information.** For more information regarding this issue and the Town reference is made to the Town's financial statements. Copies of the Town's financial statements may be obtained from Mr. Matthew A. Spoerndle, Phoenix Advisors, LLC, 53 River Street, Milford, Connecticut 06460 (telephone: (203) 878-4945) or from Mr. Jeffery M. Jylkka, Finance Director, Town of East Hampton, Town Hall, 20 East High Street, East Hampton, Connecticut 06424 (telephone: (860) 267-7548).

**PATIENCE ANDERSON,**  
*Chairman of the Town Council*

**MICHAEL MANISCALCO,**  
*Town Manager*

**JEFFERY M. JYLKKA,**  
*Finance Director*

November 23, 2016

**TOWN OF EAST HAMPTON, CONNECTICUT**  
**\$7,000,000 BOND ANTICIPATION NOTES**  
**DATED DECEMBER 15, 2016; MATURING SEPTEMBER 14, 2017**  
**APPENDIX - OPINION OF BOND COUNSEL AND TAX EXEMPTION**

*The following information has been prepared by Bond Counsel in connection with this note issue. Bond Counsel are not passing upon and do not assume responsibility for the accuracy or completeness of the statements made in any information distributed in connection with the note issue (other than matters in this Appendix), and they make no representation that they have independently verified the same.*

**BOND COUNSEL OPINION**

The legal opinion of the firm of Day Pitney LLP of Hartford, Connecticut, Bond Counsel, will be furnished to the successful bidder when the Notes are delivered, and a copy of the legal opinion will be included in the record of proceedings of the Town authorizing the Notes. The opinion will be dated and given on and will speak only as of the date of original delivery of the Notes to the successful bidder.

The opinion of Day Pitney LLP with respect to the Notes will be substantially in the following form:

[FORM OF BOND COUNSEL OPINION]

(date of closing)

Town of East Hampton  
East Hampton, Connecticut

We have represented the Town of East Hampton, Connecticut as Bond Counsel in connection with the issuance by the Town of \$7,000,000 Bond Anticipation Notes, dated as of December 15, 2016.

We have examined a record of proceedings authorizing the Notes, and based on our examination, we are of the opinion that the Town of East Hampton is authorized to issue the Notes; the Town is duly and legally organized; all proper proceedings for the issuance and delivery of the Notes have been taken; no limitation of indebtedness under the laws of the State of Connecticut has been exceeded in the issuance of the Notes; the Notes will be valid and binding general obligations of the Town when certified as provided thereon by a duly authorized official of U.S. Bank National Association; and the Town has the power to levy ad valorem taxes to pay the Notes against all the taxable property in the Town without limit as to rate or amount except certified forest land taxable at a limited rate and dwelling houses of qualified elderly people of low income or of qualified disabled persons taxable at limited amounts.

It is to be understood that the rights of the holders of the Notes and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met in order that interest on the Notes is excluded from gross income for Federal income tax purposes. The Town officials authorized to issue the Notes have executed written representations and agreements on behalf of the Town relating to compliance with such provisions of the Code to ensure that the interest on the Notes will be excluded from gross income for Federal income tax purposes. The representations and agreements also provide that the Notes are designated or deemed designated as "qualified tax-exempt obligations" for purposes of the deduction for Federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

Based on such representations and agreements and on the record of proceedings authorizing the Notes, and assuming the accuracy of such representations and compliance with such agreements, it is our opinion that, under

existing statutes: (1) interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; (2) the Notes are not "private activity bonds" and interest on the Notes is not treated as a preference item for purposes of calculating the Federal alternative minimum tax, but in the case of corporations a portion of such interest may be included in alternative minimum taxable income for purposes of computing any Federal alternative minimum tax; and (3) the Notes are "qualified tax-exempt obligations" for purposes of the deduction for Federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

Based on the record of proceedings authorizing the Notes, it is our opinion that, under existing statutes: (1) interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and (2) interest on the Notes is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

Very truly yours,

Day Pitney LLP

## **FEDERAL INCOME TAX.**

***Interest Excluded From Gross Income.*** The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements that must be met in order that interest on the Notes is excluded from the gross income of the owners thereof for federal income tax purposes. Some of these requirements must be continuously met subsequent to delivery of the Notes. Failure to comply with any of these requirements may cause the interest on the Notes to be includable in gross income for federal income tax purposes retroactively to the date of their issuance irrespective of the date on which such noncompliance occurs.

The Town officials authorized to issue the Notes will enter into a Tax Compliance Agreement in connection with the delivery of the Notes, which will contain certain representations and covenants on behalf of the Town relating to compliance with such requirements of the Code to ensure that the interest on the Notes will be excluded from the gross income of the owners thereof for federal income tax purposes.

***Alternative Minimum Tax.*** The Code imposes an alternative minimum tax on individuals and an alternative minimum tax on corporations. The alternative minimum tax is imposed on alternative minimum taxable income, which includes preference items. The interest on certain tax-exempt "private activity bonds" is treated as a preference item. The Town's Tax Compliance Agreement will contain certain representations and covenants to ensure that the Notes are not "private activity bonds" so that interest on the Notes will not be treated as a preference item for individuals or corporations in calculating alternative minimum taxable income.

The Code provides, however, that for most corporations a portion of the excess of adjusted current earnings (which includes certain tax-exempt interest) over other alternative minimum taxable income will be included in alternative minimum taxable income for purposes of calculating the corporation's alternative minimum tax.

***Financial Institutions.*** The Code provides that commercial banks, thrift institutions and certain other financial institutions may not deduct the portion of their interest expense allocable to tax-exempt obligations acquired after August 7, 1986, other than "qualified tax-exempt obligations". The Town's Tax Compliance Agreement will contain certain representations and covenants to ensure that the Notes will be "qualified tax-exempt obligations" for purposes of the deduction for federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

***Additional Federal Income Tax Matters.*** In addition to the matters addressed above, prospective purchasers of the Notes should be aware that the ownership of tax-exempt obligations, such as the Notes, may result in collateral federal income tax consequences to certain taxpayers, including without limitation, taxpayers otherwise eligible for the earned income credit, recipients of Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt

obligations, financial institutions, certain insurance companies, certain S corporations and foreign corporations subject to the branch profits tax. Prospective purchasers of the Notes may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

#### **STATE OF CONNECTICUT TAX ON INTEREST.**

The opinion of Bond Counsel will state in substance that, based on the record of proceedings authorizing the Notes, under existing statutes: (1) interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts, and estates; and (2) interest on the Notes is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

Interest on the Notes is included in gross income for purposes of the Connecticut corporation business tax.

Owners of the Notes should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the Notes and the disposition thereof, including the extent to which gains and losses from the sale or exchange of the Notes held as capital assets reduce and increase, respectively, amounts taken into account in computing the Connecticut income tax on individuals, trusts and estates and may affect the net Connecticut minimum tax on such taxpayers who are also required to pay the federal alternative minimum tax.

#### **ORIGINAL ISSUE PREMIUM.**

The initial public offering price of certain of the Notes may be greater than the amount payable on the Notes at maturity. The excess of the initial public offering price at which a substantial amount of such Notes are sold over the amount payable thereon at maturity constitutes original issue premium. No representation is made by the Town regarding the prices at which a substantial amount of the Notes ultimately will be sold to the public. An owner who purchases a note with original issue premium must amortize such original issue premium as provided in applicable Treasury Regulations, and amortized premium reduces the owner's basis in the note for federal income tax purposes. Owners of Notes having original issue premium, and especially any owner who is not an original owner of a note who bought the note at its initial public offering price, should consult their tax advisors with respect to the federal and state income tax consequences of the disposition of such notes.

#### **GENERAL.**

The opinion of Bond Counsel is rendered as of its date and Bond Counsel assumes no obligation to update or supplement its opinion to reflect any facts or circumstances that may come to its attention, or any changes in law or the interpretation thereof that may occur after the date of its opinion. Legislation affecting municipal bonds is regularly under consideration by the United States Congress. No assurance can be given that pending federal legislation, if any, or federal legislation enacted or proposed after the date of issuance of the Notes will not have an effect on the federal tax status or the market price of the Notes or will not change the effect of other federal tax law consequences, including those discussed above, of owning and disposing of the Notes, and Bond Counsel expresses no opinion thereon. No assurance can be given that future legislation or amendments to the income tax law of the State of Connecticut, if enacted into law, will not contain provisions that could, directly or indirectly, reduce the benefit of the exclusion of the interest on the Notes or any gain made on the sale or exchange thereof from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and Bond Counsel expresses no opinion thereon. Prospective owners of the Notes are advised to consult their tax advisors regarding the potential tax consequences of proposed federal or State of Connecticut tax legislation, if any, affecting municipal bonds.

The discussion above does not purport to address all aspects of federal, state, or local taxation that may be relevant to a particular owner of the Notes. Prospective owners of the Notes, particularly those who may be subject to special rules, are advised to consult their tax advisors regarding the federal, state, and local tax consequences of owning and disposing of the Notes, including any tax consequences arising under the laws of any other state or other taxing jurisdiction.



# **TOWN OF EAST HAMPTON, CONNECTICUT**

## **FINANCIAL INFORMATION**

Excerpted from the  
Annual Financial Report of  
The Town of East Hampton, Connecticut  
Year Ended June 30, 2015

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, 2015, 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, 2015, 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 67 to 74, 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 21, 2015, 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 "Cohn Reznick LLP". The signature is written in a cursive, flowing style.

Hartford, Connecticut  
December 21, 2015



**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, 2015**

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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, 2015.

### **Financial Highlights**

- During the fiscal year, the Town implemented GASB 68 related to pensions. GASB 68 required that the net pension liability be recorded on the government-wide financial statements. The result of implementing GASB 68 was a prior period adjustment as of July 1, 2014 to record the net pension liability and other related amounts of \$6,748,278. The current year pension expense was \$1,243,007 and the net pension liability at June 30, 2015 was \$7,147,386.
- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$83,546,070 (*net position*). Of this amount, \$6,222,350 (*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 \$5,321,254. 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 \$19,399,621, an increase of \$6,638,850 in comparison with the prior year. This increase is a result of positive net change in fund balance in the capital initiatives fund of \$6,381,854. The capital initiatives fund surplus was due substantially to the issuance of bonds to finance the high school renovation project which was previously being financed with bond anticipation notes. Of the total fund balance, \$14,335,221 is nonspendable, restricted, committed or assigned, leaving an *unassigned fund balance* in the amount of \$5,064,400.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,064,400, an increase of \$191,891 in comparison with the prior year. This represents 12.5% 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.



## Management's Discussion and Analysis (continued)

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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, deferred outflows, liabilities, and deferred inflows, with the difference between these accounts being 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 20 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 17 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 net pension liability and the progress in funding its obligation to provide pension and other post-employment benefits to its employees.

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 6.8% from a year ago – increasing from \$78,224,816 to \$83,546,070 (after the restatement for the net pension liability).

By far the largest portion of the Town's net position (91.8%) 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, 2015 and 2014**

	<b>2015</b>	<b>2014 (as restated)</b>
Current and other assets	\$ 30,446,435	\$ 19,099,600
Capital assets, net	<u>94,529,941</u>	<u>80,099,384</u>
Total assets	<u>124,976,376</u>	<u>99,198,984</u>
Deferred outflows of resources	<u>1,592,558</u>	<u>19,050</u>
Long-term liabilities outstanding	34,060,476	10,987,823
Other liabilities	<u>8,962,388</u>	<u>10,005,395</u>
Total liabilities	<u>43,022,864</u>	<u>20,993,218</u>
Net investment in capital assets	76,685,651	71,600,194
Restricted	638,069	1,743,119
Unrestricted	<u>6,222,350</u>	<u>4,881,503</u>
Total net position	<u><u>\$ 83,546,070</u></u>	<u><u>\$ 78,224,816</u></u>

A portion of the Town's net position (0.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (7.4%) may be used to meet the Town's ongoing obligations to citizens and creditors.

The Town's net position increased by \$5,321,254. Key elements of this increase are as follows:

- The \$833,216 increase in property taxes was due to increase in the budget and, therefore, the related tax levy.
- Operating grants and contributions decreased by \$1,384,892 substantially due to a decrease in the State Teachers' Retirement on-behalf amount and education grants as compared to the prior year.
- Capital grants and contributions increased by \$5,243,276 substantially due to the receipt of the State of Connecticut school construction grant during the year for the High School renovation project.
- Investment income increased by \$199,211 as a result of investing excess cash relating to note proceeds at favorable interest rates.



**Statement of Changes in Net Position**  
**Years Ended June 30, 2015 and 2014**

	2015	2014
Revenues:		
Program revenues:		
Charges for services	\$ 3,670,111	\$ 3,420,515
Operating grants and contributions	11,819,345	13,204,237
Capital grants and contributions	6,813,942	1,570,666
General revenues:		
Property taxes	31,378,784	30,545,568
Grants and contributions not restricted to specific programs	237,767	218,407
Investment income	236,524	37,313
Other	45,840	112,659
Total revenues	<u>54,202,313</u>	<u>49,109,365</u>
Expenses:		
General government	2,847,076	2,607,793
Public safety	3,150,700	2,941,474
Civic and human services	1,032,383	727,068
Public works and utilities	6,445,962	5,188,262
Education	33,265,577	33,743,421
Regulatory	509,982	458,302
Culture and recreation	1,539,637	1,654,876
Interest	89,742	284,456
Total expenses	<u>48,881,059</u>	<u>47,605,652</u>
Change in net position	5,321,254	1,503,713
Net position - July 1	78,224,816	83,469,381
Restatement for net pension liability		<u>(6,748,278)</u>
Net position - June 30	<u>\$ 83,546,070</u>	<u>\$ 78,224,816</u>

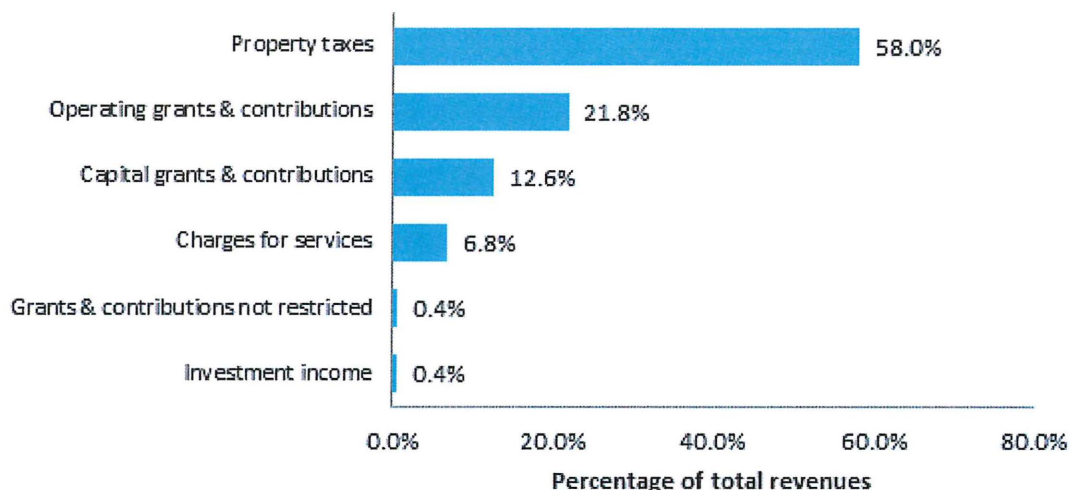
Significant changes in expenses as compared to the prior year are as follows:

- Public safety expenses increased by \$209,226 due to an increase in overtime pay and related employee benefit expenses.
- Civic and human services increased by \$305,315 due to expenses related to the Chatham Acres project that began in FY 2014 and was substantially completed during FY 2015.
- Education expenses decreased by \$477,844 primarily as a result of a decrease in the retirement plan contributions made by the State on-behalf of the Town's teachers, decrease in fuel costs and a decrease non-capitalized capital reserve fund activity.

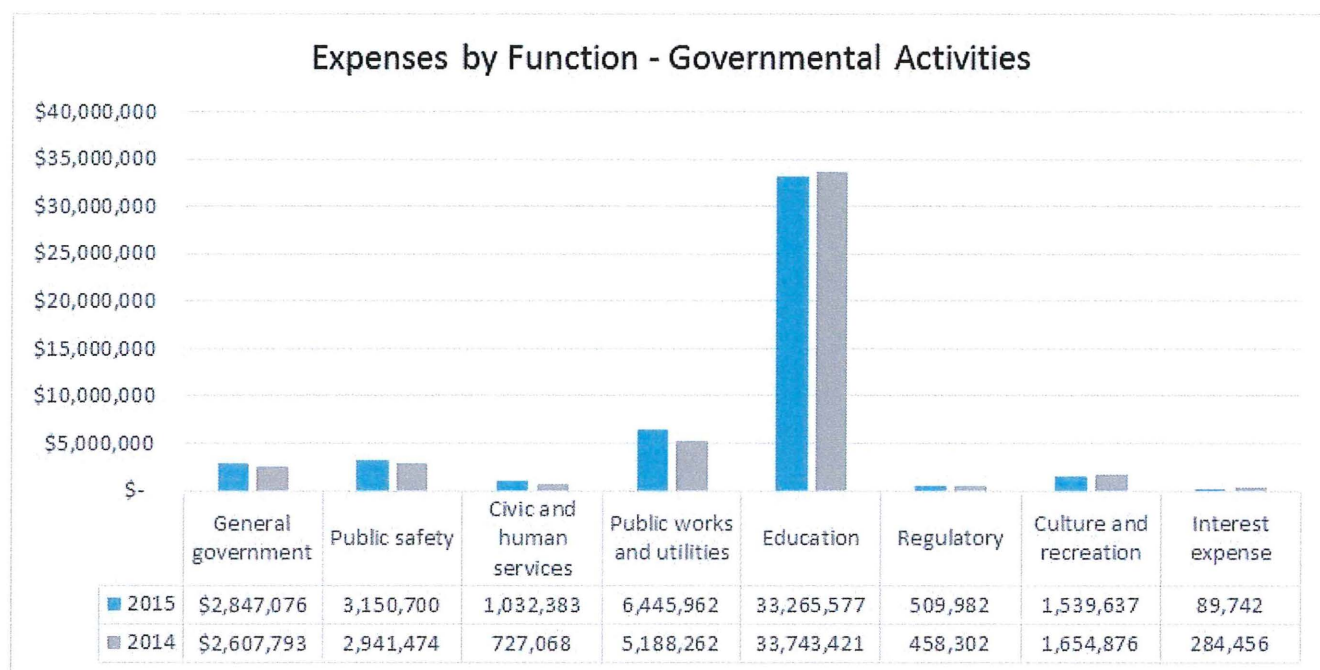
## Management's Discussion and Analysis (continued)

- Public works and utilities expenses increased by \$1,257,700 primarily as a result of non-capitalized capital initiatives fund activity. Contractual salary increases and overtime also contributed to the increase.
- Interest expense decreased by \$194,714 as a result of the receipt of a bond anticipation note premium during the fiscal year.

### 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 \$19,399,621. \$14,335,221 is not available for new spending because it has already been classified as 1) nonspendable (\$15,500) for the library endowment, 2) restricted (\$622,569), 3) committed (\$13,528,022) and 4) assigned (\$169,130).

The total fund balance increased by \$6,638,850 to \$19,399,621. This increase is a result of a positive net change in fund balance in the capital initiatives fund of \$6,381,854, in addition to positive operating results in the general fund of \$191,891. The capital initiatives fund surplus was due substantially to the issuance of bonds used to permanently finance notes for high school renovation 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 \$5,064,400. 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 12.5% 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 revenues and other financing sources exceeded its expenditures by \$6,381,854 substantially as a result of the issuance of bonds used to permanently finance notes for high school renovation project.

**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 \$16,837 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 \$481,262. 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.

Other significant transfers done during the year were as follows:

- The public works vehicle repair account received transfers of \$64,000 from the motor fuel and engineering accounts for needed vehicle repairs.
- The public works overtime account received transfers of \$50,000 from the employee benefits account for costs associated with overtime relating to snow storms.
- The police overtime account received transfers of \$49,100 from the employee benefits account for costs associated with overtime relating to staff shortages.

### **Capital Assets and Debt Administration**

**Capital assets.** At June 30, 2015, the Town of East Hampton's capital assets totaled \$94,529,941, 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 \$14,430,557 or (18.0%). This increase is largely due to the increase in construction in progress, primarily for the High School renovation project of \$13,702,263, and the re-construction of several roads as part of the road improvement program totaling \$1,457,659.

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

- Machinery and equipment additions of \$492,500, which included the following:
  - Volvo loader (\$145,226)
  - Technology equipment (\$19,471)
  - School security equipment (\$65,506)
  - Moyno pumps (\$60,404)
  - Three police vehicles (\$84,690)
- Infrastructure additions of \$1,632,659, which included the following roads:

Terp Road, South Main Street, North Maple Road, Long Crossing, Lake Drive, Hurd Park Road, Hog Hill Road and Tall Wood Drive

#### **Capital Assets (Net of Accumulated Depreciation)**

	<b>2015</b>	<b>2014</b>
Land	\$ 2,343,992	\$ 2,343,992
Intangible assets	712,600	716,250
Construction in progress	18,142,810	3,885,883
Buildings	30,449,668	31,403,981
Improvements other than buildings	152,547	159,153
Machinery and equipment	4,512,305	4,530,950
Infrastructure	38,216,019	37,059,175
<b>Total</b>	<b>\$ 94,529,941</b>	<b>\$ 80,099,384</b>

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 \$7,210,000. The decrease of \$1,040,000 from prior year is due to 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 \$184,498 due to the State of Connecticut Clean Water Fund, bond anticipation notes of \$16,415,000, which were permanently financed on December 9, 2015, and unamortized bond premium of \$47,202.

**Outstanding Debt  
Long-Term Obligations**

	2015	2014
General obligation bonds	\$ 7,210,000	\$ 8,250,000
Bond anticipation notes	16,415,000	-
Clean water notes	184,498	210,815
Bond premium	47,202	57,425
Total	<u>\$23,856,700</u>	<u>\$ 8,518,240</u>

In December 2015, the Town received a bond rating upgrade to "AAA" from Standard and Poor's.

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 \$218,324,484, 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 4.0%. This is lower than both the state's average unemployment rate of 5.5% and the Hartford Labor Market rate of 5.4%. The Town is below the national average of 5.2%.
- According to the Bureau of Census American Community Survey 5-Year Estimates, 2010-2014, per capita income in East Hampton was \$42,794 compared to Middlesex County (\$40,589) and the State (\$38,480). Median family income was \$109,915 versus \$100,452 for the county and \$88,217 for the State. The percent of families below poverty level was 2.1% for the Town. The county percentage was 4.4% and the State's was 7.5%.
- The net taxable grand list for fiscal year 2016 increased approximately 0.6%. This increase in grand list growth will generate \$195,000 in new tax revenue.
- Funding for formulary grants from the State of Connecticut remains flat. Since 2006 the percent of total general fund revenue from state grants has dropped from 26.3% to 19.9%. This downward trend has been factored into our intergovernmental revenue estimates.
- The total number of building permits for fiscal year 2015 increased from 860 to 1,003, or 16.6% over last fiscal year. The increase in permits issued is a positive sign and as a result our revenue estimates have been adjusted upward accordingly.

## Management's Discussion and Analysis (continued)

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- The Town signed an agreement with Connecticut Natural Gas (CNG) to bring natural gas into the Town and is one of CNG's largest expansions in recent decades. As a condition for the expansion the Town agreed to convert substantially all oil fired burners to natural gas. Additionally, the Town has agreed to give CNG a five year tax abatement on their property taxes related to the expansion.
- 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 2016 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.

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## **Basic Financial Statements**

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**Town of East Hampton, Connecticut**

Statement of Net Position  
Governmental Activities  
June 30, 2015

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<u>Assets</u>	
Current assets:	
Cash	\$ 25,530,536
Investments	1,164,297
Receivables:	
Property taxes	758,558
Assessments	182,002
Intergovernmental	653,217
Loans	4,100
Other	269,332
Other assets	41,875
Total current assets	<u>28,603,917</u>
Noncurrent assets:	
Restricted assets:	
Temporarily restricted investments	500
Permanently restricted investments	15,500
Total restricted assets	<u>16,000</u>
Receivables (net):	
Property taxes	1,425,602
Assessments	222,984
Loans	177,932
Total receivables (net)	<u>1,826,518</u>
Capital assets (net of accumulated depreciation):	
Land	2,343,992
Intangible assets (net of accumulated amortization)	712,600
Construction in progress	18,142,810
Buildings	30,449,668
Improvements other than buildings	152,547
Machinery and equipment	4,512,305
Infrastructure	38,216,019
Total capital assets (net of accumulated depreciation)	<u>94,529,941</u>
Total noncurrent assets	<u>96,372,459</u>
Total assets	<u>124,976,376</u>
<u>Deferred Outflows of Resources</u>	
Pension related	<u>1,592,558</u>

(Continued)



**Town of East Hampton, Connecticut**

Statement of Net Position  
Governmental Activities  
June 30, 2015

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<u>Liabilities</u>	
Current liabilities:	
Accounts payable and other liabilities	\$ 6,883,871
Accrued liabilities	310,959
Accrued payroll	616,538
Accrued interest payable	94,847
Unearned revenue	124,609
Bonds and notes payable	746,848
Compensated absences	125,667
Early retirement incentive	9,049
Environmental obligation	50,000
	<hr/>
Total current liabilities	8,962,388
	<hr/>
Noncurrent liabilities:	
Bonds, notes and related liabilities	23,109,852
Compensated absences	1,253,619
Net pension liability	7,147,386
Net OPEB obligation	1,799,262
Early retirement incentive	50,357
Environmental obligation	700,000
	<hr/>
Total noncurrent liabilities	34,060,476
	<hr/>
Total liabilities	43,022,864
	<hr/>
<u>Net Position</u>	
Net investment in capital assets	76,685,651
Restricted for:	
Endowments:	
Expendable	500
Nonexpendable	15,500
Public works	526,274
Education	95,795
Unrestricted	6,222,350
	<hr/>
Total net position	\$ 83,546,070
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(Concluded)

## Town of East Hampton, Connecticut

Statement of Activities  
Governmental Activities  
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net Expenses and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$ 2,847,076	\$ 334,535	\$ 34,841	\$ -	\$ (2,477,700)
Public safety	3,150,700	175,584	6,984	-	(2,968,132)
Civic and human services	1,032,383	1,274	16,137	-	(1,014,972)
Public works and utilities	6,445,962	2,199,579	340,789	175,000	(3,730,594)
Education	33,265,577	591,855	11,417,546	6,540,042	(14,716,134)
Regulatory	509,982	156,507	-	-	(353,475)
Culture and recreation	1,539,637	210,777	3,048	98,900	(1,226,912)
Interest expense	89,742	-	-	-	(89,742)
Total	\$ 48,881,059	\$ 3,670,111	\$ 11,819,345	\$ 6,813,942	\$ (26,577,661)
General Revenues:					
Property taxes					\$ 31,378,784
Grants and contributions not restricted to specific programs					237,767
Investment income					236,524
Miscellaneous					45,840
Total general revenues					31,898,915
Change in net position					5,321,254
Net position - July 1, 2014 (as restated)					78,224,816
Net position - June 30, 2015					\$ 83,546,070

See Notes to Financial Statements.

Town of East Hampton, Connecticut

Balance Sheet  
Governmental Funds  
June 30, 2015

	General	Capital Initiatives	Capital Reserve	Other Governmental Funds	Total
<u>Assets</u>					
Cash	\$ 1,694,613	\$ 18,448,699	\$ 1,965	\$ 5,110,663	\$ 25,255,940
Investments	1,164,297	-	-	16,000	1,180,297
Receivables:					
Property taxes	1,656,782	-	-		1,656,782
Assessments and user charges	-	-	-	316,612	316,612
Intergovernmental	399	505,909	90,250	56,659	653,217
Loans	-	-	-	209,232	209,232
Other	64,463	-	-	204,869	269,332
Due from other funds	3,988,989	79,497	3,003,480	248,584	7,320,550
Other	34,511	-	-	7,364	41,875
Total assets	\$ 8,604,054	\$ 19,034,105	\$ 3,095,695	\$ 6,169,983	\$ 36,903,837
<u>Liabilities</u>					
Accounts and other payables	\$ 1,036,536	\$ 5,445,397	\$ 106,450	\$ 285,174	\$ 6,873,557
Accrued liabilities	202,415	108,544	-	-	310,959
Accrued payroll	616,538	-	-	-	616,538
Due to other funds	149,500	6,759,144	-	609,775	7,518,419
Unearned revenue	375	23,520	-	100,714	124,609
Total liabilities	2,005,364	12,336,605	106,450	995,663	15,444,082
<u>Deferred Inflows of Resources</u>					
Unavailable revenues:					
Property taxes	1,534,290	-	-	-	1,534,290
Water charges	-	-	-	10,221	10,221
Loans	-	-	-	209,232	209,232
Sewer assessment and use charges	-	-	-	306,391	306,391
Total deferred inflows of resources	1,534,290	-	-	525,844	2,060,134
<u>Fund Balances</u>					
Nonspendable	-	-	-	15,500	15,500
Restricted	-	-	-	622,569	622,569
Committed	-	6,697,500	2,989,245	3,841,277	13,528,022
Assigned	-	-	-	169,130	169,130
Unassigned	5,064,400	-	-	-	5,064,400
Total fund balances	5,064,400	6,697,500	2,989,245	4,648,476	19,399,621
Total liabilities, deferred inflows of resources and fund balances	\$ 8,604,054	\$ 19,034,105	\$ 3,095,695	\$ 6,169,983	\$ 36,903,837

(Continued)

**Town of East Hampton, Connecticut**

**Reconciliation of Fund Balance  
to Net Position of Governmental Activities  
June 30, 2015**

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)	\$ 19,399,621
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Beginning capital assets	80,099,384
Current capital asset additions (net of construction in progress)	16,415,986
Depreciation expense	(1,979,589)
Disposal and sale of capital assets	(5,840)
Other long-term assets and deferred outflows are not available resources and, therefore, are not reported in the funds:	
Property tax and sewer assessment interest and lien accrual	767,752
Allowance for doubtful accounts	(179,200)
Deferred outflow related to pensions	1,592,558
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds:	
Property tax, water charges, sewer assessment, and loans receivable - accrual basis change	2,060,134
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	453,102
Some liabilities and deferred inflows, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds and notes payable	(23,809,498)
Premiums	(47,202)
Compensated absences	(1,379,286)
Net pension liability	(7,147,386)
Net OPEB obligation	(1,799,262)
Environmental obligation	(750,000)
Early retirement incentive	(50,357)
Accrued interest payable	(94,847)
Net position of governmental activities (Exhibit A)	\$ <u>83,546,070</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, 2015

	General	Capital Initiatives	Capital Reserve	Other Governmental Funds	Total
Revenues:					
Property taxes	\$ 31,199,130	\$ -	\$ -	\$ -	\$ 31,199,130
Intergovernmental	11,634,584	6,540,042	90,250	568,353	18,833,229
Charges for services	507,626	-	5,439	3,085,066	3,598,131
Income from investments	20,202	202,089	1,898	12,335	236,524
Contributions and donations	-	-	-	181,098	181,098
Miscellaneous	18,419	250	-	27,171	45,840
Total revenues	43,379,961	6,742,381	97,587	3,874,023	54,093,952
Expenditures:					
Current:					
General government	3,396,869	-	261,588	53,031	3,711,488
Public safety	2,263,610	5,310	44,224	145,451	2,458,595
Public works and utilities	2,177,710	794,553	204,911	2,055,498	5,232,672
Culture and recreation	986,720	-	63,128	204,640	1,254,488
Civic and human services	406,763	513,745	-	56,766	977,274
Regulatory	368,205	-	-	-	368,205
Education	31,336,281	-	116,499	1,047,340	32,500,120
Debt service	1,299,679	-	-	30,293	1,329,972
Capital outlay	-	15,629,024	377,727	197,642	16,204,393
Total expenditures	42,235,837	16,942,632	1,068,077	3,790,661	64,037,207
Excess (deficiency) of revenues over expenditures	1,144,124	(10,200,251)	(970,490)	83,362	(9,943,255)
Other financing sources (uses):					
Issuance of debt	-	16,415,000	-	-	16,415,000
Premium	-	167,105	-	-	167,105
Transfers in	2,468	-	989,795	48,532	1,040,795
Transfers out	(954,701)	-	(2,468)	(83,626)	(1,040,795)
Total other financing sources (uses)	(952,233)	16,582,105	987,327	(35,094)	16,582,105
Net change in fund balances	191,891	6,381,854	16,837	48,268	6,638,850
Fund balances - July 1, 2014	4,872,509	315,646	2,972,408	4,600,208	12,760,771
Fund balances - June 30, 2015	\$ 5,064,400	\$ 6,697,500	\$ 2,989,245	\$ 4,648,476	\$ 19,399,621

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, 2015

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) \$ 6,638,850

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	16,415,986
Depreciation expense	<u>(1,979,589)</u>

Total	<u>14,436,397</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>(5,840)</u>
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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	(143,273)
Change in property tax, water charges, sewer assessment, and community development block grant receivable - accrual basis change	119,618
Change in property tax and sewer assessment interest and lien revenue	153,141
Change in property tax and sewer assessment allowance for doubtful accounts	<u>(21,125)</u>

Total	<u>108,361</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	(16,415,000)
Principal repayments:	
General obligation bonds and notes	<u>1,066,317</u>

Total	<u>(15,348,683)</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, 2015

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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	\$ 10,223
Early retirement incentive	(50,357)
Compensated absences	70
Net OPEB obligation	(258,344)
Pension expense	(259,761)
Accrued interest payable	15,635
Amortization of deferred charges	<u>(19,050)</u>
Total	<u>(561,584)</u>
Internal Service Funds are used by management to charge costs of various self-insured risk premiums to individual departments	<u>53,753</u>
Change in net position of Governmental Activities (Exhibit B)	<u>\$ 5,321,254</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, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Property taxes	\$ 31,174,833	\$ 31,174,833	\$ 31,199,130	\$ 24,297
Intergovernmental	8,588,888	9,070,150	8,931,021	(139,129)
Charges for services	487,455	487,455	507,626	20,171
Investment income	25,000	25,000	20,202	(4,798)
Miscellaneous	9,750	9,750	18,419	8,669
Total revenues	40,285,926	40,767,188	40,676,398	(90,790)
Expenditures:				
Current:				
General government	3,527,383	3,425,959	3,396,869	29,090
Public safety	2,252,873	2,316,873	2,263,610	53,263
Public works	2,191,778	2,221,078	2,177,710	43,368
Regulatory	377,601	386,116	368,205	17,911
Health and human services	413,007	413,007	406,763	6,244
Culture and recreation	1,003,806	1,003,415	986,720	16,695
Education	28,265,097	28,746,359	28,632,718	113,641
Debt service	1,299,680	1,299,680	1,299,679	1
Total expenditures	39,331,225	39,812,487	39,532,274	280,213
Excess (deficiency) of revenues over expenditures	954,701	954,701	1,144,124	189,423
Other financing sources (uses):				
Transfers in	-	-	2,468	2,468
Transfers out	(954,701)	(954,701)	(954,701)	-
Net other financing sources (uses)	(954,701)	(954,701)	(952,233)	2,468
Net change in fund balance	\$ -	\$ -	191,891	\$ 191,891
Fund balance - July 1, 2014			4,872,509	
Fund balance - June 30, 2015			<u>\$ 5,064,400</u>	



**Town of East Hampton, Connecticut****Statement of Net Position  
Proprietary Funds  
June 30, 2015**

		Internal Service Funds
<hr/>		
<u>Assets</u>		
Current assets:		
Cash	\$	274,596
Due from other funds		<u>197,869</u>
Total assets		472,465
 <u>Liability</u>		
Current liability:		
Claims payable		<u>19,363</u>
 <u>Net Position</u>		
Unrestricted	\$	<u><u>453,102</u></u>

**Town of East Hampton, Connecticut****Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Funds  
Year Ended June 30, 2015**

	Internal Service Funds
Operating revenues:	
Charges for services	\$ 361,988
Operating expenses:	
Claims	285,923
Administration	22,312
Total operating expenses	308,235
Change in net position	53,753
Total net position - July 1, 2014	399,349
Total net position - June 30, 2015	\$ 453,102

## Town of East Hampton, Connecticut

Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2015

	Internal Service Funds
Cash flows from operating activities:	
Cash received for charges for services	\$ 361,197
Cash received/(paid) on due to/from balances	369
Cash paid for benefits and claims	(288,581)
Cash paid for administration	(22,259)
	<hr/>
Net cash provided by (used in) operating activities and	
Net increase (decrease) in cash	50,726
Cash - July 1, 2014	<hr/> 223,870
Cash - June 30, 2015	<hr/> \$ 274,596 <hr/>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ 53,753
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
(Increase) decrease in:	
Due from other funds	(369)
Increase (decrease) in:	
Claims payable	(2,658)
	<hr/>
Net cash provided by (used in) operating activities	<hr/> \$ 50,726 <hr/>



**Town of East Hampton, Connecticut**

**Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
Year Ended June 30, 2015**

	Pension Trust Fund
Additions:	
Contributions:	
Employer	\$ 982,321
Plan members	419,210
Total contributions	1,401,531
Investment income (loss):	
Net change in fair value of investments	159,989
Interest and dividends	538,625
Total investment income (loss)	698,614
Less investment expenses	(44,891)
Net investment income (loss)	653,723
Total additions	2,055,254
Deductions	
Benefits	1,594,194
Administration	48,049
Total deductions	1,642,243
Change in net position	413,011
Net position - July 1, 2014	27,131,176
Net position - June 30, 2015	\$ 27,544,187

## Town of East Hampton, Connecticut

Notes to Financial Statements  
June 30, 2015**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

Notes to Financial Statements  
June 30, 2015

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, 2015

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.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position and additions to/deductions from fiduciary net position of the Town of East Hampton pension plan and the Connecticut State Teachers' Retirement System (TRS) have been determined on the same basis as they are reported by the Town of East Hampton pension plan and TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

**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.



## Town of East Hampton, Connecticut

## Notes to Financial Statements

June 30, 2015

**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).

**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 5 to 13 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, 2015

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 deferred outflows of resources related to pensions for differences between expected and actual experience, changes in assumptions and return on investments. Experience differences and changes in assumptions will be amortized over the average remaining service life of all plan members. Return on investment will be amortized over a five year period.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. 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, 2015**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, 2015

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, 2015**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 to the Town Manager who makes a recommendation 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 Town 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 was an additional appropriation during the year of \$481,262 from additional revenue 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. Any additional appropriations must have Board of Education approval and then the Board of Finance reviews and makes recommendations regarding all requests for additional appropriations to be submitted to the Town Council. Additional appropriations from fund balance that exceed \$25,000 must be approved by Town Meeting.
- 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.

## Town of East Hampton, Connecticut

Notes to Financial Statements  
June 30, 2015**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	\$ 40,676,398	\$ 39,532,274
State Teachers' Retirement on-behalf amount	<u>2,703,563</u>	<u>2,703,563</u>
Balance, GAAP basis, Exhibit D -	<u>\$ 43,379,961</u>	<u>\$ 42,235,837</u>

**C. Capital projects authorizations**

The following is a summary of Capital Projects at June 30, 2015:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Cumulative Expenditures</u>	<u>Project Balance</u>
Brewer Road Pavement Rehabilitation	\$ 408,500	\$ 485,528	\$ (77,028)
Christopher Brook Culvert Replacement	512,000	163,022	348,978
High School Renovation Project - Phase I	200,080	183,148	16,932
High School Renovation Project - Phase II	51,695,000	15,723,370	35,971,630
Fire Department Triple Pumper	645,000	643,794	1,206
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	3,144,011	170,989
Oakum Dock water easement	790,500	733,487	57,013
Chatham Acres Housing Renovations	802,150	776,480	25,670
Water Tower Demolition	<u>200,000</u>	<u>192,194</u>	<u>7,806</u>
Total	<u>\$ 62,008,230</u>	<u>\$ 24,946,526</u>	<u>\$ 37,061,704</u>

Brewer Road project is over expended due to unexpected architectural oversight costs related to grant compliance. The Town is expected to approve an additional project authorization before the project is completed.

**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 Prudent Management of Institutional Funds Act ("UPMIFA"). Under UPMIFA, 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, 2015, there is no appreciation available for appropriation.

## Town of East Hampton, Connecticut

Notes to Financial Statements  
June 30, 2015

## 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, 2015, \$26,775,739 of the Town's bank balance of \$28,996,173 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 23,898,165
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>2,877,574</u>
Total amount subject to custodial credit risk	<u>\$ 26,775,739</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, 2015, 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	\$ 17,699,822	\$ 17,699,822	\$ -	\$ -	\$ -
Government agency securities	15,383	-	15,383	-	-
U.S. government bonds	3,743,224	-	-	3,743,224	-
Corporate bonds	4,282,875	-	-	-	4,282,875
Foreign currency bonds	1,363,688	-	1,363,688	-	-
Money market	165,629	-	165,629	-	-
Pooled real estate	16	16	-	-	-
Real estate limited partnership	1,276,476	1,276,476	-	-	-
Certificates of deposit	1,083,308	-	1,067,308	16,000	-
Pooled fixed income	96,989	-	96,989	-	-
Total	<u>\$ 29,727,410</u>	<u>\$ 18,976,314</u>	<u>\$ 2,708,997</u>	<u>\$ 3,759,224</u>	<u>\$ 4,282,875</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, 2015

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	Corporate Bonds	Foreign Currency Bonds	U.S. Government Bonds	Money Market		
AAA	\$ 15,383	\$ -	\$ -	\$ 3,743,224	\$ -	\$ 96,989	
A	-	4,282,875	-	-	-	-	
Unrated	-	-	1,363,688	-	165,629	-	
Total	<u>\$ 15,383</u>	<u>\$ 4,282,875</u>	<u>\$ 1,363,688</u>	<u>\$ 3,743,224</u>	<u>\$ 165,629</u>	<u>\$ 96,989</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, 2015 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, 2015, including the applicable allowances for uncollectible accounts, are presented below.

	Property Taxes			CDBG Loans
	Taxes	Interest & Liens	Total	
Current portion	\$ 671,825	\$ 86,733	\$ 758,558	
Long-term portion	\$ 984,957	\$ 592,645	\$ 1,577,602	
Less allowance for uncollectibles	(116,000)	(36,000)	(152,000)	
Net long-term portion	<u>\$ 868,957</u>	<u>\$ 556,645</u>	<u>\$ 1,425,602</u>	
	Sewer Use and Assessments			CDBG Loans
	Assessments	Interest & Liens	Total	
Current portion	\$ 142,367	\$ 39,636	\$ 182,002	\$ 4,100
Long-term portion	\$ 174,246	\$ 48,738	\$ 222,984	\$ 205,132
Less allowance for uncollectibles	-	-	-	(27,200)
Net long-term portion	<u>\$ 174,246</u>	<u>\$ 48,738</u>	<u>\$ 222,984</u>	<u>\$ 177,932</u>



## Town of East Hampton, Connecticut

Notes to Financial Statements  
June 30, 2015**C. Capital assets**

Capital asset activity for the fiscal year was as follows:

	Beginning Balance July 1, 2014	Increases	Decreases	Ending Balance June 30, 2015
<u>Capital assets, not being depreciated:</u>				
Land	\$ 2,343,992	\$ -	\$ -	\$ 2,343,992
Intangible assets	698,000	-	-	698,000
Construction in progress	3,885,883	14,276,164	19,237	18,142,810
Total capital assets, not being depreciated	6,927,875	14,276,164	19,237	21,184,802
<u>Capital assets, being depreciated:</u>				
Buildings	55,367,585	33,900	-	55,401,485
Intangible assets	60,000	-	-	60,000
Improvements other than buildings	226,937	-	-	226,937
Machinery and equipment	9,930,730	492,500	27,201	10,396,029
Infrastructure	44,138,757	1,632,659	-	45,771,416
Total capital assets, being depreciated	109,724,009	2,159,059	27,201	111,855,867
Total capital assets	116,651,884	16,435,223	46,438	133,040,669
<u>Less accumulated depreciation:</u>				
Buildings	23,963,604	988,213	-	24,951,817
Intangible assets	41,750	3,650	-	45,400
Improvements other than buildings	67,784	6,606	-	74,390
Machinery and equipment	5,399,780	505,305	21,361	5,883,724
Infrastructure	7,079,582	475,815	-	7,555,397
Total accumulated depreciation and amortization	36,552,500	1,979,589	21,361	38,510,728
Total capital assets, being depreciated, net	73,171,509	179,470	5,840	73,345,139
Capital assets, net	\$ 80,099,384	\$14,455,634	\$ 25,077	\$ 94,529,941

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

General government	\$ 15,525
Public safety	212,843
Public works and utilities	956,195
Civic and human services	3,432
Culture and recreation	104,882
Regulatory	3,458
Education	683,254
Total depreciation expense	<u>\$ 1,979,589</u>

## Town of East Hampton, Connecticut

Notes to Financial Statements  
June 30, 2015**Construction commitments**

The Town has active construction projects as of June 30, 2015. At year end, the Town's commitments with contractors were as follows:

<u>Project description:</u>	<u>Comittment</u>
High School Renovation	<u>\$ 30,550,086</u>

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

A summary of interfund balances 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	\$ -	\$ 1,280
Debt service	N/A	13,935	-
Public safety	N/A	11,725	-
Culture and recreation	N/A	-	7,234
Education grant	N/A	195,342	-
School cafeteria	N/A	64,629	-
Capital reserve	N/A	-	85,333
Capital initiatives	N/A	3,656,271	-
WPCA joint facilities	N/A	10,926	-
WPCA operating	N/A	-	55,017
WPCA joint facilities - capital	N/A	36,161	-
Library trust	N/A	-	327
Internal service	N/A	-	309
Total general fund		<u>3,988,989</u>	<u>149,500</u>
Capital initiatives:			
Public works	N/A	-	184,726
Capital reserve	N/A	-	2,918,147
WPCA joint facilities	N/A	79,497	-
General fund	N/A	-	3,656,271
Total capital initiatives		<u>79,497</u>	<u>6,759,144</u>
Capital reserve:			
Capital initiatives	N/A	2,918,147	-
General fund	N/A	85,333	-
Total capital reserve		<u>3,003,480</u>	-

## Town of East Hampton, Connecticut

Notes to Financial Statements  
June 30, 2015

	Corresponding Fund	Due From	Due To
<u>Nonmajor governmental funds:</u>			
Miscellaneous grants	General Fund	\$ 1,280	\$ -
School cafeteria	General Fund	-	64,629
Education grant	General Fund	-	195,342
Culture and recreation	General Fund	7,234	-
WPCA operating	General Fund	55,017	-
WPCA operating	Internal Service	-	6
WPCA joint facilities	General Fund	-	10,926
WPCA joint facilities capital	General Fund	-	36,161
Public works	Capital Initiatives	184,726	-
Debt service	General Fund	-	13,935
Public safety	General Fund	-	11,725
WPCA joint facilities	Capital Initiatives	-	79,497
WPCA joint facilities	Internal Service	-	54
Library trust	General Fund	327	-
Debt service	BOE Retiree Benefits	-	197,500
Total nonmajor governmental funds		<u>248,584</u>	<u>609,775</u>
<u>Internal service funds:</u>			
Dental insurance	WPCA Joint Facilities	54	-
Dental insurance	WPCA Operating	6	-
Dental insurance	General Fund	309	-
Board of education retiree benefits	Debt Service	<u>197,500</u>	-
Total internal service funds		<u>197,869</u>	-
Grand total		<u>\$7,518,419</u>	<u>\$7,518,419</u>

All interfund balances resulted from the time lag between the dates payments occurred between funds for interfund goods, payroll and services provided or in instances where certain funds do not have a checking account.

## Town of East Hampton, Connecticut

Notes to Financial Statements  
June 30, 2015**2. Interfund transfers**

A summary of interfund transfers is as follows:

	Corresponding Fund	Transfers In	Transfers Out
<u>Major funds:</u>			
General fund:			
Water system fund	N/A	\$ -	\$ 13,532
Capital reserve fund	N/A	2,468	906,169
Debt service fund	N/A	-	35,000
Total general fund		2,468	954,701
Capital reserve:			
General fund	N/A	906,169	2,468
Public safety fund	N/A	83,626	-
Total capital reserve		989,795	2,468
<u>Nonmajor funds:</u>			
Special revenue funds:			
Water system fund	General Fund	13,532	-
Public safety fund	Capital Initiatives	-	83,626
Total special revenue funds		13,532	83,626
Debt service fund	General Fund	35,000	-
Grand total		\$ 1,040,795	\$ 1,040,795

Transfers are used to account for the financing by the general fund of various programs and activities in the capital reserve, water system, and debt service fund. The transfer from public safety to the capital reserve fund was designated for projects related to public safety.

**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 fiscal year was as follows:

Project	Balance July 1, 2014	Additions	Permanently Financed	Balance June 30, 2015
High school renovation project	\$ -	\$ 15,000,000	\$(15,000,000)	\$ -
Road improvement program	-	1,415,000	(1,415,000)	-
Total	\$ -	\$ 16,415,000	\$(16,415,000)	\$ -

In December 2015, the Town issued \$5,000,000 of bond anticipation notes to temporarily finance its High School renovation project. The notes were issued with a premium of \$67,037, a coupon of 2.00% and mature in December 2016. The net interest cost on the notes is 0.648%.

## Town of East Hampton, Connecticut

Notes to Financial Statements  
June 30, 2015**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, 2014 (as restated)	Additions	Reductions	Balance June 30, 2015	Current Portion
<u>Bonds:</u>									
Obligation bond	\$ 2,345,000	08/15/02	08/15/17	3.00%-4.125%	\$ 500,000	\$ -	\$ 125,000	\$ 375,000	\$ 125,000
Refunding issue	4,005,000	04/01/03	07/15/14	3.375%-4.10%	320,000	-	320,000	-	-
Obligation bond	3,175,000	02/01/06	02/01/21	3.40%-5.0%	1,200,000	-	225,000	975,000	225,000
Obligation bond	2,985,000	04/15/09	07/15/28	2.50%-4.50%	2,345,000	-	160,000	2,185,000	160,000
Obligation bond	3,885,000	02/14/14	08/15/33	2.00%-4.00%	3,885,000	-	210,000	3,675,000	210,000
Total bonds					8,250,000	-	1,040,000	7,210,000	720,000
Bond anticipation notes (permanently financed December 2015)					-	16,415,000	-	16,415,000	-
<u>Clean water notes:</u>									
Sewer 480C	503,694	06/30/02	12/31/21	2.0%	210,815	-	26,317	184,498	26,848
Total bonds/notes					8,460,815	16,415,000	1,066,317	23,809,498	746,848
Premiums					57,425	-	10,223	47,202	-
Total bonds/notes and related liabilities					8,518,240	16,415,000	1,076,540	23,856,700	746,848
Compensated absences					1,379,356	457,738	457,808	1,379,286	125,667
Net pension liability					5,295,067	3,859,524	2,007,205	7,147,386	-
Net OPEB obligation					1,540,918	486,643	228,299	1,799,262	-
Early retirement incentive					-	59,406	-	59,406	9,049
Environmental obligation					750,000	-	-	750,000	50,000
Total long-term obligations					<u>\$ 17,483,581</u>	<u>\$ 21,278,311</u>	<u>\$ 3,769,852</u>	<u>\$ 34,992,040</u>	<u>\$ 931,564</u>

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.

In December 2015, the Town issued \$21,225,000 of general obligation bonds to finance its High School renovation project (\$20,000,000) and the remainder of the 2012 Road Improvement project (\$1,225,000). The bonds were issued with a premium of \$1,048,987, coupon rates ranging from 2.00%-4.00% and mature on July 15, 2035. The net interest cost on the bonds is 2.55%.

## Town of East Hampton, Connecticut

Notes to Financial Statements  
June 30, 2015

The following is a summary of bond and note maturities:

Fiscal Year Ended June 30,	Notes Principal	Bond Principal	Total Interest
2016	\$ 26,848	\$ 720,000	\$ 232,302
2017	27,390	645,000	210,122
2018	27,943	645,000	190,053
2019	28,507	515,000	172,243
2020	29,082	515,000	156,610
2021	29,669	515,000	140,579
2022	15,059	365,000	124,071
2023	-	360,000	113,051
2024	-	355,000	101,663
2025	-	355,000	90,088
2026	-	355,000	78,041
2027	-	355,000	65,550
2028	-	355,000	52,616
2029	-	355,000	38,988
2030	-	160,000	28,800
2031	-	160,000	22,400
2032	-	160,000	16,000
2033	-	160,000	9,600
2034	-	160,000	3,200
	<u>\$ 184,498</u>	<u>\$ 7,210,000</u>	<u>\$ 1,845,977</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	\$ 70,175,727	\$ 7,277,000	\$ 62,898,727
Schools	140,351,454	16,348,000	124,003,454
Sewers	116,959,545	184,256	116,775,289
Urban renewal	101,364,939	-	101,364,939
Pension deficit	93,567,636	-	93,567,636

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, \$218,324,484.

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.

## Town of East Hampton, Connecticut

Notes to Financial Statements  
June 30, 2015**3. Authorized/unissued bonds**

The amount of authorized, unissued bonds at June 30, 2015 is as follows:

<u>Purpose of Bonds</u>	Authorized but <u>Unissued</u>
General purpose:	
Ambulance facility	\$ 18,500
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
2012 road improvement project	1,415,000
Schools:	
High school athletic facilities improvements	2,000
Memorial school roof and oil tank	2,100,000
High school renovation	<u>51,695,000</u>
Total	<u>\$ 56,960,000</u>

**4. 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.

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 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.

**5. Early Retirement**

In 2015, the Town offered an Early Retirement Incentive Plan to all eligible members of the Municipal Employees Union Independent. Under this agreement, the Town provides a stipend to the employee for the cost of the premium for health insurance until the employee's sixty-fifth birthday. The stipends are paid annually from the general fund budget.

## Town of East Hampton, Connecticut

Notes to Financial Statements  
June 30, 2015**G. Restricted net position**

The amount of restricted net position, which was restricted by enabling legislation, totaled \$514,061 at June 30, 2015.

**H. Fund balance classifications**

Fund Balance Component	General Fund	Capital Initiatives	Capital Reserve	Nonmajor Funds	Total
<b><u>Nonspendable:</u></b>					
Library	\$ -	\$ -	\$ -	\$ 15,500	\$ 15,500
<b><u>Restricted:</u></b>					
Public works:					
Sewer facility operations	-	-	-	100,787	100,787
Sewer operations	-	-	-	389,764	389,764
Water operations	-	-	-	35,723	35,723
Community development programs	-	-	-	7,221	7,221
Library	-	-	-	500	500
Food services program	-	-	-	88,574	88,574
Total restricted	-	-	-	622,569	622,569
<b><u>Committed:</u></b>					
Civic and human service programs	-	-	-	47,057	47,057
Public works projects	-	-	-	195,009	195,009
Public safety:					
Police	-	-	-	152,915	152,915
Culture and recreation programs	-	-	-	117,651	117,651
Education grant programs	-	-	-	554,865	554,865
Construction contracts	-	6,697,500	2,989,245	2,773,780	12,460,525
Total committed	-	6,697,500	2,989,245	3,841,277	13,528,022
<b><u>Assigned:</u></b>					
Debt service	-	-	-	169,130	169,130
<b><u>Unassigned</u></b>					
	5,064,400	-	-	-	5,064,400
<b>Total</b>	<b>\$ 5,064,400</b>	<b>\$ 6,697,500</b>	<b>\$ 2,989,245</b>	<b>\$ 4,648,476</b>	<b>\$ 19,399,621</b>



## Town of East Hampton, Connecticut

## Notes to Financial Statements

June 30, 2015

## 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>
2013-2014	\$ 29,785	\$ 277,872	\$ 285,636	\$ 22,021
2014-2015	22,021	285,923	288,581	19,363

## 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, 2015

**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.

**Tax exempt lease**

In July 2015, the Town of East Hampton entered into a master lease purchase agreement for equipment relating to natural gas boiler expansion for various Town owned buildings. The amount of the lease is \$886,500 with an interest rate of 1.66%. Lease payments are semi-annual with a five year duration. Lease payments begin on January 1, 2016 and end on July 30, 2020. The amount of the semi-annual lease payment is \$92,747.

**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, 2014, pension plan membership consisted of the following:

Active plan members	164
Terminated vested plan members	100
Plan members in pay status	<u>100</u>
Total	<u><u>364</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, 2015

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, 2015, the average active member contribution rate was 5.0% of annual base compensation, and the Town's average contribution rate was 13.46% 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:

<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, 2015**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, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.36%. 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, 2015, were as follows:

Total pension liability	\$ 34,691,573
Plan fiduciary net position	<u>27,544,187</u>
Net pension liability	<u>\$ 7,147,386</u>
Plan fiduciary net position as percentage of the total pension liability	<u>79.40%</u>

**8. Actuarial assumptions**

The total pension liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

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	3.50%, average, including inflation
Investment rate of return	7.125%, net of pension plan investment expense, including inflation
Mortality rates	RP-2000 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, 2015 (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, 2015

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Core fixed income	2.09%
Inflation-indexed bonds	1.05%
Broad U.S. equities	5.87%
Developed foreign equities	6.02%
Emerging market equities	8.81%
Real estate (REITS)	4.43%
Commodities	3.58%

The weighted average expected rate of return is 4.47%.

**9. Discount rate**

The discount rate used to measure the total pension liability was 7.125%. 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, 2015

**10. Changes in the net pension liability**

The Town's net pension liability was measured at June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The changes in net pension liability were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2014	\$ 32,426,243	\$ 27,131,176	\$ 5,295,067
Service cost	763,446	-	763,446
Interest	2,337,307	-	2,337,307
Differences between expected and actual experience	302,268	-	302,268
Changes of assumptions	456,503	-	456,503
Contributions - employer	-	982,321	(982,321)
Contributions - member	-	419,210	(419,210)
Net investment income	-	653,723	(653,723)
Benefit payments, including refunds of member contributions	(1,594,194)	(1,594,194)	-
Administrative expenses	-	(48,049)	48,049
Net change	2,265,330	413,011	1,852,319
Balance at June 30, 2015	\$ 34,691,573	\$ 27,544,187	\$ 7,147,386

**11. 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 7.125% 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 (6.125%) or 1-percentage-point higher (8.125%) than the current rate:

	1% Decrease (6.125%)	Current Discount (7.125%)	1% Increase (8.125%)
Net pension liability	\$ 11,227,692	\$ 7,147,386	\$ 3,616,888

## Town of East Hampton, Connecticut

Notes to Financial Statements  
June 30, 2015**12. Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions**

For the year ended June 30, 2015, the Town recognized pension expense of \$1,243,007. The Town reported deferred outflows of resources related to pensions from the following sources:

Description of outflows/inflows	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 224,763
Changes in assumptions	339,451
Net difference between projected and actual earnings on pension plan investments	<u>1,028,344</u>
Total	<u>\$ 1,592,558</u>

Actual investment earnings below (or above) projected earnings are amortized over 5 years. Changes of assumptions and experience losses (gains) are amortized over the average remaining service period of actives and inactive, which was 3.9 years.

Amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2016	\$ 451,643
2017	451,643
2018	432,186
2019	<u>257,086</u>
Total	<u>\$1,592,558</u>

**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 2015, there were 12 employees eligible to participate in the plan. The Town and employees are both required to contribute 5% of earnings. During the year the Town recognized pension expense of \$28,394 and employee contributions totaled \$28,394.

## Town of East Hampton, Connecticut

## Notes to Financial Statements

June 30, 2015

**D. Pension plans - Connecticut State Teachers' Retirement Plan****1. Plan description**

Teachers, principals, superintendents, or supervisors engaged in service of public schools are provided with pensions through the Connecticut State Teachers' Retirement System (TRS) - a cost sharing multiple-employer defined benefit pension plan administered by the Teachers' Retirement Board (TRB). Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS issues a publicly available financial report that can be obtained at [www.ct.gov](http://www.ct.gov).

**2. Benefit provisions**

The plan provides retirement, disability and death benefits. Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut.

**Normal Retirement:** Retirement benefits for the employees are calculated as 2% of the average annual salary times the years of credited service (maximum benefit is 75% of average annual salary during the 3 years of highest salary).

**Early Retirement:** Employees are eligible after 25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service. Benefit amounts are reduced by 6% per year for the first 5 years preceding normal retirement age and 4% per year for the next 5 years preceding the normal retirement age. Effective July 1, 1999, the reduction for individuals with 30 or more years of service is 3% per year by which retirement precedes normal retirement date.

**Disability Retirement:** Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for nonservice-related disability eligibility. Disability benefits are calculated as 2% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary. In addition, disability benefits under this plan (without regard to cost-of-living adjustments) plus any initial award of social security benefits and workers' compensation cannot exceed 75% of average annual salary.

**2. Contributions**State of Connecticut

Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are amended and certified by the State Teachers' Retirement Board and appropriated by the General Assembly. The contributions are actuarially determined as an amount that, when combined with employee contributions and investment earnings, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.



## Town of East Hampton, Connecticut

## Notes to Financial Statements

June 30, 2015

Employer (School Districts)

School district employers are not required to make contributions to the plan.

Employees

Effective July 1, 1992, each teacher is required to contribute 6% of their salary for the pension benefit.

**4. Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions**

The Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows due to the statutory requirement that the State pay 100% of the required contribution. The amounts recognized by the Town as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the Town were as follows:

Town's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>36,033,775</u>
Total	<u>\$ 36,033,775</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. At June 30, 2015, the Town has no proportionate share of the net pension liability.

For the year ended June 30, 2015, the Town recognized pension expense and revenue of \$2,703,563 for on-behalf amounts for the benefits provided by the State.

**5. Actuarial assumptions**

The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increase	3.75-7.00%, including inflation
Investment rate of return	8.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected 19 years using scale AA, with a two year setback for males and females for the period after service retirement and for dependent beneficiaries.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010.

## Town of East Hampton, Connecticut

## Notes to Financial Statements

June 30, 2015

Future cost-of-living increases - For teachers who retired prior to September 1, 1992, pension benefit adjustments are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum. For teachers who were members of the Teachers' Retirement System before July 1, 2007, and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for social security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%. For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for social security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis 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. The target asset allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large cap U.S. equities	21.0%	7.3%
Developed non-U.S. equities	18.0%	7.5%
Emerging markets (non-U.S.)	9.0%	8.6%
Core fixed income	7.0%	1.7%
Inflation linked bond fund	3.0%	1.3%
Emerging market bond	5.0%	4.8%
High yield bonds	5.0%	3.7%
Real estate	7.0%	5.9%
Private equity	11.0%	10.9%
Alternative investments	8.0%	0.7%
Liquidity fund	6.0%	0.4%
Total	<u>100.0%</u>	

Town of East Hampton, Connecticut

Notes to Financial Statements  
June 30, 2015

**6. Discount rate**

The discount rate used to measure the total pension liability was 8.50%. 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 employer 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.

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

The Town's proportionate share of the net pension liability is \$0 and, therefore, the change in the discount rate would only impact the amount recorded by the State of Connecticut.

**8. Plan fiduciary net position**

Detailed information about the Connecticut State Teachers' Retirement Plan fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report as of and for the year ended June 30, 2014.

**E. 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 matters**

Valuation 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, 2015, 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>

## Town of East Hampton, Connecticut

Notes to Financial Statements  
June 30, 2015**4. Benefit provisions and contributions****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 \$228,299.

**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.

**5. Funded status and funding progress**

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

	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	\$	\$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	July 1, 2013
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar
Remaining amortization period	26 Years Closed

Actuarial Assumptions:

Investment rate of return	4.0%
Healthcare inflation rate - July 1, 2013:	
Initial	6.8%
Ultimate	4.7%
Inflation rate	4.0%

## Town of East Hampton, Connecticut

Notes to Financial Statements  
June 30, 2015

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.

**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	\$ 489,108
Interest on net OPEB obligation	61,637
Adjustment to annual required contribution	<u>(64,102)</u>
Annual OPEB cost (AOC)	486,643
Contributions made	<u>228,299</u>
Change in net OPEB obligation	258,344
Net OPEB obligation - July 1, 2014	<u>1,540,918</u>
Net OPEB obligation - June 30, 2015	<u><u>\$1,799,262</u></u>

**7. Three year trend information**

Year Ending June 30	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation	Actual Contributed
Board of Education				
2013	\$ 498,441	45.1%	\$ 1,245,918	\$ 225,000
2014	527,000	44.01%	1,540,918	232,000
2015	486,643	46.9%	1,799,262	228,299

**F. Prior period adjustment**

The government-wide net position was restated as follows:

Net position, as previously reported at June 30, 2014	\$ 84,973,094
To remove net pension asset previously recorded	(1,453,211)
To record beginning net pension liability (NPL)	<u>(5,295,067)</u>
Net position, as restated as of July 1, 2014	<u><u>\$ 78,224,816</u></u>

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## **Required Supplementary Information**

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## Town of East Hampton, Connecticut

## Town of East Hampton Retirement Income Plan

Required Supplementary Information  
Schedule of Changes in Net Pension Liability

## Last Two Years

	2015	2014
Total pension liability:		
Service cost	\$ 763,446	\$ 819,627
Interest	2,337,307	2,242,374
Differences between expected and actual experience	302,268	-
Changes of assumptions	456,503	-
Benefit payments, including refunds of member contributions	(1,594,194)	(1,465,203)
Net change in total pension liability	2,265,330	1,596,798
Total pension liability - July 1	32,426,243	30,829,445
Total pension liability - June 30 (a)	\$ 34,691,573	\$ 32,426,243
Plan fiduciary net position:		
Contributions - employer	\$ 982,321	\$ 953,000
Contributions - member	419,210	413,838
Net investment income	653,723	3,455,656
Benefit payments, including refunds of member contributions	(1,594,194)	(1,465,203)
Administration expense	(48,049)	(52,123)
Net change in plan fiduciary net position	413,011	3,305,168
Plan fiduciary net position - July 1	27,131,176	23,826,008
Plan fiduciary net position - June 30 (b)	\$ 27,544,187	\$ 27,131,176
Net pension liability (asset) - June 30 (a)-(b)	\$ 7,147,386	\$ 5,295,067

## Town of East Hampton, Connecticut

## Town of East Hampton Retirement Income Plan

Required Supplementary Information  
Last Two Years

## Schedule of Net Pension Liability

	2015	2014
Total pension liability	\$ 34,691,573	\$ 32,426,243
Plan fiduciary net position	27,544,187	27,131,176
Net pension liability	\$ 7,147,386	\$ 5,295,067
Plan fiduciary net position as a percentage of the total pension liability	79.40%	83.67%
Covered-employee payroll	\$ 7,300,421	\$ 7,621,801
Net pension liability as a percentage of covered-employee payroll	97.90%	69.47%

## Schedule of Investment Returns

	2015	2014
Annual Money weighted rate of return, net investment expense	2.36%	14.14%



## Town of East Hampton, Connecticut

## Town of East Hampton Retirement Income Plan

Required Supplementary Information  
Schedule of ContributionsLast Ten Years

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess (Deficiency)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	\$ 980,548	\$ 982,321	1,773	\$ 7,300,421	13.46%
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

## Town of East Hampton, Connecticut

## Town of East Hampton Retirement Income Plan

## Notes to Required Supplementary Information

June 30, 2015

Changes of benefit terms	None
Changes of assumptions	<b>2015:</b> The discount 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	Entry Age Normal
Amortization Method	Level percent, closed
Asset Valuation Method	Fair value
Inflation	2.75%
Salary Increases	3.50%, average, including inflation
Investment Rate of Return	7.125%, 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

## Last Three Valuations

	A	B	(A-B)	(A/B)	C	[(A-B)/C]
Actuarial Valuation Date July 1,	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
2013	\$ -	\$ 5,973,888	\$ (5,973,888)	0.0%	\$ 13,540,000	(44.1%)
2011	-	5,525,000	(5,525,000)	0.0%	11,651,000	(47.4%)
2009	-	6,071,000	(6,071,000)	0.0%	N/A	N/A

## Schedule of Employer Contributions

## Last Seven Years

Fiscal Year End June 30	Annual Required Contributions	Actual Contributions	Percentage Contributed
2015	\$ 489,108	\$ 228,299	46.7%
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

June 30, 2015

Changes of benefit terms	None
Changes of assumptions	<b>2015:</b> 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, 2013, 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
Remaining Amortization Period	26 years, closed
Investment Rate of Return	4.00%
Healthcare Inflation rate - Initial	6.8%
Healthcare Inflation rate - Ultimate	4.7%
Inflation rate	4.0%

**Town of East Hampton, Connecticut**  
**Connecticut State Teachers' Retirement System**  
**Required Supplementary Information**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**June 30, 2015**

	2015
Town's proportion of the net pension liability (asset)	0.00%
Town's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with Town	36,033,775
Total	\$ 36,033,775
Town's covered-employee payroll (2)	N/A
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%
Plan fiduciary net position as a percentage of the total pension liability	0.00%

**Schedule of Contributions**

	2015
Contractually required contribution (1)	\$ -
Contributions in relation to the contractually required contribution	-
Contribution deficiency (excess)	\$ -
Town's covered-employee payroll (2)	N/A
Contributions as a percentage of covered-employee payroll	0.00%

(1) Local employees are not required to contribute to plan

(2) Not applicable since 0% proportional share of the net pension liability

**Town of East Hampton, Connecticut**  
**Connecticut State Teachers' Retirement System**  
**Notes to Required Supplementary Information**  
**June 30, 2015**

Changes of benefit terms	None
Changes of assumptions	In 2011, rates of withdrawal, retirement and assumed rates of salary increase were adjusted more closely to reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five year period ended June 30, 2010.
Actuarial Cost Method	Entry age
Amortization Method	Level percent of salary, closed
Remaining Amortization Period	22.4 years
Asset Valuation Method	4 year smoothed market
Inflation	3.00%
Salary Increases	3.75%-7.00%, average, including inflation
Investment Rate of Return	8.50%, net of pension plan investment expense, including inflation