

Town of Hampton, Connecticut

State Compliance Audit

June 30, 2021

Stephen T. Hopkins, CPA, PC

Auditing, Accounting, and Consulting Services

Town of Hampton, Connecticut
 June 30, 2021
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Stephen T. Hopkins, CPA, PC

Auditing, Accounting, and Consulting Services

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Independent Auditors' Report

Board of Finance
Board of Selectmen
Town of Hampton, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Hampton, Connecticut, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Town's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and the 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Single Audit Act (C.G.S. Sections 4-230 to 236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 controls. 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.

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

As described in Note 1A to the financial statements, the financial statements do not include the financial data of entities determined to be component units. Accounting principles generally accepted in the United States of America require that the financial reporting entity consist of the primary government and its component units, organizations for which the primary government is financially accountable or for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. In addition, accounting principles generally accepted in the United States of America require the financial data for component units to be reported with the financial data of the Town's primary government unless the Town also issues financial statements for the financial reporting entity that include the financial data for its component units. The Town has not issued such reporting entity financial statements. Information regarding the assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses of the discretely presented component units were not provided so therefore the financial effect of this exclusion cannot be determined.

Adverse Opinion on the Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of the Town of Hampton, Connecticut, as of June 30, 2021, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to previously 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 Hampton, Connecticut, as of June 30, 2021, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 17 to the financial statements, the Town adopted the recognition and disclosure requirements of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. The beginning net position and fund balance of the governmental activities and the aggregate remaining fund information as of July 1, 2020 have been restated. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension and OPEB schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 inquires 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 Hampton, Connecticut's basic financial statements. The accompanying combining and individual fund financial statements, the schedule of debt limitation, the schedule of property taxes levied, collections and outstanding balances, and the schedule of expenditures of state financial assistance as required by the State Single Audit Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying combining and individual fund financial statements, the schedule of debt limitation, the schedule of property taxes levied, collections and outstanding balances, and the schedule of expenditures of state financial assistance as required by the State Single Audit Act 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 information described above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2022, on our consideration of the Town of 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Hampton, Connecticut's 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 Hampton, Connecticut's internal control over financial reporting and compliance.

Stephen T. Hopkins, CPA, PC

Stephen J. Hopkins, CPA, PC

Scarborough, Maine
January 18, 2022

Town of Hampton, Connecticut
Management's Discussion and Analysis
June 30, 2021

Our discussion and analysis of the Town of Hampton, Connecticut's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2021. Please read this analysis in conjunction with the basic financial statements, notes to the basic financial statements, and required supplementary information of the Town. This management discussion and analysis is being presented for the current fiscal year with a focus on the comparative analysis of the information on the governmental activities of the Town as found in the government-wide financial statements.

Financial Highlights - Government-wide financial statements

- The Town's total assets exceeded its total liabilities by \$12,285,118 (net position) as of the end of the current fiscal year. This compares to the prior fiscal year when total assets exceeded total liabilities by \$12,061,920 as restated. This represents a favorable increase of \$223,198 or approximately 1.85%.
- The Town's net investment in capital assets net position balance is used to account for the total capital assets of the Town reduced by the total accumulated depreciation on those assets, reduced by the total outstanding debt incurred to purchase those assets. The total net investment in capital assets net position balance of the Town was \$7,638,764 (62.18% of total net position) as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$7,600,940 (63.28% of total net position). This represents an increase of approximately .50% which is the result of a decrease in the related debt of \$2,224, current year depreciation in the amount of (\$452,582), and current year capital asset additions in the amount of \$488,182. These current year additions included the purchase of a new back hoe in the amount of \$111,238, the purchase of Scott air packs in the amount of \$102,270 in relation to the fire department, improvements to two school classrooms, the town pavilion as well as current year paving and related costs in the amount of \$231,167 which are classified as infrastructure and improvement assets.
- The Town's restricted net position is used to account for funds received with constraints imposed by grantors and contributors. This net position *cannot* be used to finance the day-to-day activities and operations of the Town. The total restricted net position balance of the Town was \$3,057,912 (24.89% of total net position) as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$3,025,689 (25.20% of total net position). This represents an increase of approximately 1.06% and is made up in large part to the reclassification and restatement of the prior fiscal year private purpose trust funds balance to special revenue funds in accordance with GASB Statement No. 84, *Fiduciary Activities* and the subsequent payout of the remaining funds of one of those trusts during the current fiscal year in accordance with the parameters of the trust agreement.
- The Town's unrestricted net position balance is the component of net position which is used to finance the day-to-day activities and operations without constraints imposed by creditors, grantors, contributors, or other rules and regulations as imposed by other governments or enabling legislation. The total unrestricted net position balance of the Town was \$1,588,442 (12.93% of total net position) as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$1,384,713 (11.52% of total net position). This represents a favorable increase of approximately 14.71%. This relates mostly to the current fiscal year surpluses and deficits within the town general and other funds which are more fully described in the fund financial statements.
- The Town's total revenues for its governmental activities were \$6,307,008 for the current fiscal. This revenue balance includes \$3,864,945 in property tax revenue, \$2,109,300 in operating and capital grants, and \$116,877 in charges for services. In addition, the town received a return of school equity payment in the amount of \$100,213 from Regional School District #11 in relation to prior fiscal year surpluses. The Town also received \$272,571 representing its first payment in relation to the American Rescue Plan Act. This revenue was recorded as unearned revenue in the government-wide financial statements. The current fiscal year revenues compare to prior fiscal year revenues of \$6,119,212, an increase of approximately 3.07%.
- The cost of the Town's governmental activities was \$6,083,810 for the current fiscal year. The amount of these costs ultimately financed by general revenues of the Town, however, was only \$3,857,633 due to a portion of these costs being paid for by individuals receiving certain benefits through charges for services in the amount of \$116,877, and through operating and capital grants received in the amount of \$2,109,300. This amounts to approximately 63.41% of the cost of these governmental activities actually being financed by general revenues of the Town. The current fiscal year expenditures compare to prior fiscal year expenditures of \$6,117,127, a decrease of approximately .55%. The individual breakdown of how these charges for services and operating and capital grants were received by department is shown in the Statement of activities on page 12.
- The Board of Education and the related programs of the Town received approximately \$229,124 in grant dollars from a number of sources including State grant funds and Federal pass-through grant funds to assist in a number of educational programs and projects from the school readiness programs to improving basic programs. This compares to \$166,695 being received during the prior fiscal year. General state education cost sharing funds have not been included. These revenue amounts represent the amounts recorded by the Town in the fund financial statements. The amounts shown in the government-wide financial statements have been adjusted for unearned amounts which are recorded as unearned revenues on the Statement of net position.

Town of Hampton, Connecticut
Management's Discussion and Analysis
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Using this annual report

This annual report consists of a series of financial statements. The government-wide financial statements consist of the Statement of net position and the Statement of activities which are shown on pages 11 and 12 and which provide information about the activities of the Town as a whole and present a longer-view of the Town's finances. The fund financial statements consist of the Balance sheet and the Statement of revenues, expenditures, and changes in fund balances which are shown on pages 13 and 15 and tell how the services of the Town were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide financial statements by providing information about the Town's most significant funds. Budget to actual information is reported in these fund financial statements for the general fund on pages 17 through 19. The fiduciary fund financial statements consist of a Statement of fiduciary net position and a Statement of changes in fiduciary net position which are shown on page 20. The fiduciary activities of the Town are those for which the Town acts solely as a trustee or agent capacity. These statements relate to agency funds for which the Town acts in a purely custodial capacity for student groups and private purpose trust funds for amounts given to the Town for specific purposes.

Reporting the Town as a whole

Our analysis of the Town as a whole begins on page 11 with the Statement of net position. 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 current fiscal year's activities?" The statement of net position and the statement of activities report information about the Town as a whole and about its activities in a way that helps answer this question. The statement of net position includes all of the assets and liabilities of the Town using the accrual basis of accounting. This basis of accounting is similar to the accounting policies and procedure utilized by most private-sector (for profit) companies. All of the current fiscal year revenues and expenses are taken into account regardless of when cash is received or paid in the statement of activities.

These two statements report the Town's net position and the changes in this net position. You can think of this net position as one way to measure the financial health and financial position of the Town. The net position balance is made up of the difference between the assets and liabilities of the Town. Over time, increases and decreases in the Town's net position is one indicator of whether its financial health is improving or deteriorating. However, you also need to consider other non-financial factors which affect the overall financial health of the Town such as changes in the property tax base, the conditions of the infrastructure of the Town, and the general economy present at the time. These two statements are divided into three different kinds of activities on the reporting level. These categories are governmental, business-type, and discretely presented component units. The Town's activities are classified solely as governmental activities and are characterized as follows:

- Governmental activities - All of the Town's basic services are reported here, including general government, public safety, public works, sanitation and waste services, health and welfare services, education, and other general and program and unclassified activities. Property tax revenues, charges for services, state and federal operating and capital grants and other funding, and other miscellaneous revenues fund most of these activities in whole or in part.

Reporting the Town's most significant funds

Our analysis of the Town's major funds begins on page 13 with the Balance sheet. The fund financial statements provide detailed information about the most significant funds of the Town but not a combined picture of the Town as a whole. Some of these funds are required to be established by State law or by bond covenants. In addition, the Board of Finance of the Town has the authority to establish many other funds to help control and manage money for particular purposes (such as the school lunch fund and town clerk funds) or to show that it is meeting legal responsibilities for using certain taxes, grants, or other money (such as the grant revenue received and expended for school grants). The Town uses governmental funds which are characterized as follows:

- Governmental funds - All of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end that are available for spending. These funds are reported using a current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting measures cash and all other financial assets that can readily be converted into cash. The governmental fund financial statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs and activities. The relationship between governmental activities and governmental funds is presented in a reconciliation at the bottom of the fund financials.

Town of Hampton, Connecticut
Management's Discussion and Analysis
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The Town as a trustee

Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds are used to report assets held in a trustee or custodial capacity for others and therefore cannot be used to support the programs of the Town. Fiduciary funds can be classified as pension or other employee benefit trust funds, investment trust funds, private purpose trust funds and custodial funds. The fiduciary activities of the Town are classified as custodial funds as they relate to the student activity accounts located at the Board of Education. Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds.

The Town as a whole - Assets, liabilities, and net position

The information provided below represents government-wide information for the governmental activities of the Town for the current fiscal year as compared to the prior fiscal year. The current ratio compares the current assets of the Town to its current liabilities and gives an indication of the Town's ability to pay current obligations. As of the end of the current fiscal year the current ratio of the Town was 4.38 to 1 compared to the end of the prior fiscal year when the current ratio was 11.51 to 1. This current and prior fiscal year ratio is considered very strong. Another indication of the Town's ability to meet its current obligations with current assets is called its working capital. This is calculated by subtracting the current liabilities from the current assets. As of the end of the current fiscal year the Town's positive working capital balance was \$1,788,249. This compares to the prior fiscal year positive balance of \$1,866,033. This represents an unfavorable decrease of approximately 4.17%.

	Governmental activities		Percentage of total	
	2021	2020	2021	2020
Current assets	\$ 2,316,814	\$ 2,043,644	17.32%	16.01%
Other assets	3,418,697	3,121,729	25.56%	24.45%
Capital assets	7,638,764	7,603,164	57.12%	59.54%
Total assets	<u>13,374,275</u>	<u>12,768,537</u>	<u>100.00%</u>	<u>100.00%</u>
Current and other liabilities	528,565	177,611	48.53%	23.46%
Long-term liabilities	560,592	579,584	51.47%	76.54%
Total liabilities	<u>1,089,157</u>	<u>757,195</u>	<u>100.00%</u>	<u>100.00%</u>
Net position:				
Net investment in capital assets	7,638,764	7,600,940	62.18%	63.28%
Restricted	3,057,912	3,025,689	24.89%	25.20%
Unrestricted	1,588,442	1,384,713	12.93%	11.52%
Total net position	<u>\$ 12,285,118</u>	<u>\$ 12,011,342</u>	<u>100.00%</u>	<u>100.00%</u>
Restricted net position:				
Expendable:				
Restricted contribution funds	\$ 7,763	\$ 7,863		
Enabling legislation related funds	3,727	5,266		
Non-principal portion of permanent and other funds	4,426	4,718		
Small cities program funds	<u>2,998,564</u>	<u>3,000,897</u>		
	<u>3,014,480</u>	<u>3,018,744</u>		
Non-expendable:				
Prepaid items	11,809	900		
Principal portion of permanent and other funds	<u>31,623</u>	<u>6,045</u>		
	<u>43,432</u>	<u>6,945</u>		
	<u>\$ 3,057,912</u>	<u>\$ 3,025,689</u>		

Town of Hampton, Connecticut
Management's Discussion and Analysis
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The Town as a whole - Revenues, expenses, and changes in net position

The information provided below represents government-wide information for the governmental activities of the Town for the current fiscal year. The revenues and expenses shown below are recorded on the accrual basis of accounting. Program revenues received by the Town specifically relating to or generated by individual departments are applied to the departmental expenditures to determine the amount and percentage of total Town expenditures actually financed by the general revenues of the Town. This amount and percentage is shown at the bottom of this schedule and can be used to give the reader an indication of how the Town's activities were financed during the current fiscal year. The expenses shown below indicates the general make-up of the Town's spending by department and as a percentage of total spending.

	Governmental activities		Percentage of total	
	2021	2020	2021	2020
Program revenues				
Charges for services	\$ 116,877	\$ 110,013	1.85%	1.80%
Operating grants	2,099,318	1,981,982	33.29%	32.39%
Capital grants	9,982	24,750	0.16%	0.40%
General revenues				
Property taxes, interest, and liens	3,864,945	3,863,853	61.28%	63.14%
State property tax relief revenues	13,047	13,214	0.21%	0.22%
Other unclassified state revenues	37,921	38,321	0.60%	0.63%
Interest income	2,742	24,395	0.04%	0.40%
Return of school equity	100,213	-	1.59%	-
Miscellaneous	61,963	62,684	0.98%	1.02%
Total revenues	<u>6,307,008</u>	<u>6,119,212</u>	<u>100.00%</u>	<u>100.00%</u>
Expenses				
General government	557,169	498,585	9.16%	8.15%
Public safety	229,337	176,303	3.77%	2.88%
Public works	327,191	375,571	5.38%	6.14%
Sanitation and waste	132,854	129,512	2.18%	2.12%
Health and welfare	28,655	17,984	0.47%	0.29%
Education	3,887,155	4,121,360	63.90%	67.37%
Education - on behalf	621,575	501,626	10.22%	8.20%
General and program	126,181	99,558	2.07%	1.63%
Unclassified	7,489	36,204	0.12%	0.59%
Capital outlay	-	-	-	-
Depreciation				
General infrastructure	166,204	160,424	2.73%	2.63%
Debt service				
Interest	-	-	-	-
Total expenses	<u>6,083,810</u>	<u>6,117,127</u>	<u>100.00%</u>	<u>100.00%</u>
 Change in net position	 223,198	 2,085		
Net position - July 1, as Restated	<u>12,061,920</u>	<u>12,009,257</u>		
Net position - June 30	<u>\$ 12,285,118</u>	<u>\$ 12,011,342</u>		
 Expenses financed by general revenues.				
Total expenses	\$ 6,083,810	\$ 6,117,127		
Total program revenues	-2,226,177	-2,116,745		
	<u>\$ 3,857,633</u>	<u>\$ 4,000,382</u>	<u>63.41%</u>	<u>65.40%</u>

Town of Hampton, Connecticut
Management's Discussion and Analysis
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Capital assets

The capital assets of the Town include land, land improvements, buildings, building improvements, vehicles, equipment, infrastructure and improvements thereto, and all other tangible and intangible assets which may arise that are used in operations and that have an initial useful life extending beyond a single fiscal year. Infrastructure assets are long-lived capital assets that are normally stationary in nature and can normally be preserved for a significantly greater number of years than most capital assets. The types of infrastructure assets recorded by the Town include but are not limited to improved town roads, unimproved town roads, bridges and improvements thereto. The infrastructure and improvements assets shown below include the current and prior fiscal year expenses of the Town for improvements to roads within the Town recorded at their actual historical cost or estimated historical cost when the actual costs were not available. More detailed information on the capital assets of the Town can be found in note 1L on page 26 and note 5 on page 34.

	Governmental Activities		Percentage of total	
	2021	2020	2021	2020
Land and improvements	\$ 936,485	\$ 936,485	6.19%	6.36%
Buildings and improvements	7,907,695	7,870,538	52.24%	53.47%
Vehicles	1,712,025	1,669,357	11.31%	11.34%
Equipment	632,745	524,125	4.18%	3.56%
Infrastructure and improvements	3,949,662	3,718,495	73.92%	25.27%
Total historical cost	<u>15,138,612</u>	<u>14,719,000</u>	<u>100.00%</u>	<u>100.00%</u>
Less accumulated depreciation	<u>-7,499,848</u>	<u>-7,115,836</u>		
Total capital assets (net)	<u>\$ 7,638,764</u>	<u>\$ 7,603,164</u>		

Debt administration

The types of long-term debt normally incurred by the town include bonds, notes, and capital leases payable and the types of other debt related liabilities of the town include accrued compensated balances (earned vacation and longevity payment balances) in accordance with the established personnel policies of the Town and Board of Education and other post employment benefit liabilities in accordance with generally accepted accounting principles. All long-term debt is incurred through the approval of the inhabitants of the Town in accordance with applicable state statutes. The applicable state debt limitations as set forth in the Connecticut General Statutes, Section 7-374 (b) and the towns outstanding balances in comparison to these limitations can be found in the schedule of debt limitations, Sub-schedule B on page 57. The comparison of the outstanding debt shown below indicates that the general make-up of the Town's different types of debt as a percentage of total debt was consistent for the current fiscal year in comparison to the prior fiscal year. The outstanding payable of the Town was paid off during the current fiscal year. More detailed information on the debt of the Town can be found in note 6 on page 34.

	Governmental Activities		Percentage of total	
	2021	2020	2021	2020
Outstanding payables:				
Portion due within one year	\$ -	\$ 2,224	-	0.38%
Portion due after one year	-	-	-	-
Other liabilities:				
Accrued compensated balances - town	7,151	8,231	1.28%	1.41%
Accrued compensated balances - school	3,000	6,000	0.56%	1.03%
Other post employment benefits	550,441	565,353	98.16%	97.18%
Total debt	<u>\$ 560,592</u>	<u>\$ 581,808</u>	<u>100.00%</u>	<u>100.00%</u>

Town of Hampton, Connecticut
Management's Discussion and Analysis
June 30, 2021

The previous sections of this management discussion and analysis have been presented for the current fiscal year with a focus on the comparative analysis of the information on the governmental activities of the Town as found in the government-wide financial statements. Comparative financial information has not been included for the fund financial statements of the Town. The following financial highlights, however, do relate to the balances and results of the activities of the Town's individual funds as found in its fund financial statements. Detailed current year information on the Town's individual funds can be found on the Balance sheet on page 13 and the Statement of revenues, expenditures, and changes in fund balances on page 15.

Financial highlights - Fund financial statements

- The total assets of the Town's governmental funds exceeded the total liabilities by \$5,418,798 which represents the fund balance of these funds as of the end of the current fiscal year. This compares to the prior fiscal year when total assets exceeded total liabilities by \$4,829,970 as restated, a favorable increase of \$588,828 or approximately 12.19%. This favorable increase is due to the positive results of the general fund of \$501,835, the negative results of the small cities program fund of (\$2,333), the negative results of the capital non-recurring fund of (\$181,446) and the positive results of the non-major governmental funds of \$270,772. The current fiscal year results compare to the prior fiscal year unfavorable decrease of (\$128,094).
- The total revenues of the Town's governmental funds were \$6,107,879, not including on behalf education revenues, for the current fiscal year in comparison to \$5,607,728 during the prior fiscal year, an increase of approximately 8.92%. This revenue balance includes property tax revenues of \$3,983,845 and intergovernmental revenues of \$1,841,239, not including on behalf education revenues. The amount of property tax revenues recognized by the Town increased by \$130,214 from the prior fiscal year due in large part to a higher than expected collection rate which resulted in the outstanding taxes receivable balance decreasing from \$183,493 during the prior fiscal year to \$95,928 in the current fiscal year. The Town also received \$272,571 representing its first payment in relation to the American Rescue Plan Act. This revenue was recognized by the town in the fund financial statements as the applicable eligibility requirement had been met and the resources were available.
- The total expenditures of the Town's governmental funds were \$5,519,051, not including on behalf education expenditures, for the current fiscal year in comparison to \$5,735,822 during the prior fiscal year, a decrease of approximately 3.78%. This expenditure balance includes education expenditures of \$3,752,952 for elementary and secondary education programs and current fiscal year capital expenditures of \$219,734 which included the purchase of a new back hoe in the amount of \$111,238, the purchase of Scott air packs in the amount of \$102,270 in relation to the fire department, improvements to two school classrooms, the town pavilion as well as current year paving and related costs in the amount of \$231,167.
- The net change in fund balance (excess or deficiency of revenues over-under expenditures) for the Town's general fund was a positive \$501,835 for the current fiscal year in comparison to a negative (\$36,856) for the prior fiscal year. This represents a favorable increase relating in part to the following selected current and prior fiscal year budgetary highlights.
- The actual revenues received in the Town's general fund were \$317,485 higher than the budget revenues for the current fiscal year which is a favorable variance. This "over collection" of budgeted revenues relates to a number of budgeted revenue categories. Property tax revenue was \$170,737 over the budgeted amount while charges for services was \$65,496 over the budgeted amount. Other intergovernmental revenues were (\$17,943) under the budgeted amount and interest income was (\$10,023) under the budgeted amount. In addition, the town received a return of school equity payment in the amount of \$100,213 from Regional School District #11 in relation to prior fiscal year surpluses which was not part of the budget. This compares to an over collection of revenues during the prior fiscal year of \$125,246 which was also a favorable variance.
- The actual program expenditures in the Town's general fund were \$247,373 lower than the budgeted expenditures for the current fiscal year which is a favorable variance in comparison to \$100,156 lower during the prior fiscal year which was also a favorable variance. This under expenditure was due in part to the elementary education account which was under-expended by \$67,568, the road maintenance account which was under-expended by \$39,116, the tree removal account which was under-expended by \$28,000 and the road fuel account which was under-expended by \$14,182. Transfers from the general fund to other town funds included transfers to the capital non-recurring fund of \$142,983 to fund current fiscal year expenditures and the school capital account, to the recreation fund of \$3,900 to fund operations and from the school general fund of \$15,450 to the school lunch program to fund operations. All of these transfers were approved by the Board of Finance.
- In the current fiscal year, the Town approved the use of a total of \$127,231 of its unassigned general fund balance. In accordance with current fiscal year executive orders as issued by the Governor, the Board of Finance approved \$107,231 towards the purchase of a new backhoe and \$20,000 for the school capital fund in accordance with state statute section 10-248a. This is in effect the same as budgeting for a loss due to the fact that prior year accumulated balances cannot be shown as current year revenues. The town approved the use of \$255,000 of its unassigned general fund balance during the prior fiscal year.

Town of Hampton, Connecticut
Management's Discussion and Analysis
June 30, 2021

Economic factors and next year's budgets and rates

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

- The Town receives intergovernmental revenues from the State of Connecticut. Connecticut's economy moves in the same general cycle as the national economy, which may affect the amount of intergovernmental revenues the Town will receive in the 2022 fiscal year and thereafter.
- The State imposes a cap on municipal spending to limit the budgeted expenditures to 2.5% above the previous year, or the rate of inflation, whichever is greater. The cap includes certain exemptions relating to increases in debt service, special education costs, claims and judgements and costs incurred related to major disaster or emergency declarations. Municipalities that increase their adopted budget expenditures over the previous fiscal year by an amount that exceeds the cap may receive a reduced municipal revenue sharing grant.
- The State has established a minimum budget requirement ("MBR") for budgeted education expenditures. The MBR prohibits towns from budgeting less for education than it did in the previous year unless, and within limits, the Town can demonstrate a decrease in school enrollment or savings through increased efficiencies. Any increases or decreases that the Town receives in its Education Cost Sharing grant will result in a corresponding increase or decrease in the Town's MBR.
- The potential impact of the pandemic on the local economy, businesses and Town revenues is being continually monitored. For the current fiscal year, there was a negative impact on income from investments and building permits, but other revenues such as recording fees and conveyance taxes were positively impacted. The Town did not see any impact on tax collections for the current fiscal year and there is no indication that there will be an impact on the 2022 fiscal year collections.

All of these factors were considered in preparing the Town's 2022 fiscal year budget. Both the general government and elementary school budget were approved by the Board of Finance on June 14, 2021 and adopted at a town referendum on June 29, 2021. The general government budget totaled \$1,763,307, an increase of \$88,214 or approximately 5.27% from the 2021 fiscal year budget. The elementary school budget totaled \$2,018,230, a decrease of (\$86,088) or approximately 4.09% from the 2021 fiscal year budget.

Contacting the Town's financial management

This financial report is designed to provide a general overview of the Town's finances, comply with finance-related laws and regulations, and demonstrate the Town's commitment to public accountability. If you have questions about this report or need additional financial information, contact the Town Treasurers office or the office of the First Selectman at 164 Main Street, Hampton, Connecticut 06247.

Town of Hampton, Connecticut
Statement of net position
June 30, 2021

	Governmental activities
Assets	
Current assets:	
Cash	\$ 367,192
Investments	1,797,415
Property taxes receivable	95,928
Intergovernmental receivables	12,287
Other receivables	269
Tax acquired property	31,914
Prepaid items	11,809
Total current assets	2,316,814
Capital assets	
Non-depreciable	936,485
Depreciable (net)	6,702,279
Total capital assets	7,638,764
Other assets	
Restricted cash	667,149
Restricted investments	29,962
Long-term accounts receivable	38,588
Notes receivable	2,682,998
Total other assets	3,418,697
Total Assets	13,374,275
Liabilities	
Accounts payable	105,780
Accrued payroll	88,259
Other liabilities	520
Unearned revenues	334,006
Long-term debt	
Portion due within one year	-
Portion due after one year	-
Accrued compensated balances	10,151
Other post-employment benefit liability	550,441
Total liabilities	1,089,157
Net position	
Net Investment in capital assets	7,638,764
Restricted	
Expendable	3,014,480
Non-expendable	43,432
Unrestricted	1,588,442
Total net position	\$ 12,285,118

See the accompanying notes to the basic financial statements.

Town of Hampton, Connecticut
Balance sheet - Governmental funds
June 30, 2021

	General fund	Small cities program fund	Capital & nonrecurring fund	Non-major governmental funds	Total governmental funds
Assets					
Cash	\$ 635,667	\$ 315,566	\$ 11,436	\$ 71,672	\$ 1,034,341
Investments	1,461,543	-	335,872	29,962	1,827,377
Receivables (net of allowance)					
Property taxes	95,928	-	-	-	95,928
Intergovernmental	11,476	-	-	811	12,287
Other	269	-	-	-	269
Tax acquired property	31,914	-	-	-	31,914
Notes receivable	-	2,682,998	-	-	2,682,998
Prepaid items	11,809	-	-	-	11,809
Due from other funds	-	-	20,000	313,843	333,843
Total assets	<u>\$ 2,248,606</u>	<u>\$ 2,998,564</u>	<u>\$ 367,308</u>	<u>\$ 416,288</u>	<u>\$ 6,030,766</u>
Liabilities					
Accounts payable	\$ 100,311	\$ -	\$ 4,008	\$ 1,461	\$ 105,780
Accrued payroll	78,456	-	-	9,803	88,259
Other liabilities	520	-	-	-	520
Unearned revenues	-	-	-	-	-
Due to other funds	330,237	-	3,606	-	333,843
Total liabilities	<u>509,524</u>	<u>-</u>	<u>7,614</u>	<u>11,264</u>	<u>528,402</u>
Deferred inflows of resources					
Unavailable revenue - property taxes	83,566	-	-	-	83,566
Fund balances					
Nonspendable	11,809	-	-	31,623	43,432
Restricted	-	2,998,564	-	349,922	3,348,486
Committed	-	-	359,274	-	359,274
Assigned	26,957	-	-	23,479	50,436
Unassigned	1,616,750	-	420	-	1,617,170
Total fund balances	<u>1,655,516</u>	<u>2,998,564</u>	<u>359,694</u>	<u>405,024</u>	<u>5,418,798</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,248,606</u>	<u>\$ 2,998,564</u>	<u>\$ 367,308</u>	<u>\$ 416,288</u>	<u>\$ 6,030,766</u>

See the accompanying notes to the basic financial statements.

Town of Hampton, Connecticut
 Reconciliation of Statement C to Statement A
 for all governmental funds and activities
 June 30, 2021

Fund balances of governmental funds as shown on Statement C		\$ 5,418,798
Amounts reported for governmental activities in the government-wide financial statements (Statement A) differ from the amounts reported in the fund financial statements (Statement C):		
1 Capital assets used in governmental activities are not financial resources and are not reported on Statement C however they are reported on Statement A and must be added in:		
Cost	15,138,612	
Less accumulated depreciation	<u>-7,499,848</u>	7,638,764
2 The majority of the property tax receivable long-term asset is not available to pay for current period expenditures and therefore it is reported as deferred inflows of resources on Statement C however this amount is considered earned when billed and in turn recorded as revenue on Statement A and therefore must be added back in:		83,566
3 Certain grant revenues received by the Town are recorded as revenue when the amounts are available and measurable in the fund financial statements on the modified accrual basis of accounting. However, the government-wide financial statements record revenues when they have been earned on the accrual basis of accounting and therefore these revenue amounts are deferred on Statement A and therefore must be subtracted out:		-334,006
4 Interfund receivable and payable balances between governmental funds are reported on Statement C but eliminated on the Statement A:		
Interfund receivables	333,843	
Interfund payables	<u>-333,843</u>	-
5 Long-term liabilities, are not due and payable in the current period and therefore are not reported on Statement C however they are reported on Statement A and must therefore be subtracted out:		
Notes payable	-	
Accrued compensated balances	-10,151	
Other post-employment benefits liability	<u>-550,441</u>	-560,592
6 Delinquent interest and lien fees are recorded as revenue when received and when they become available and measurable however these amounts are recorded on Statement A due to the fact that the amounts are viewed to have been earned and therefore they must be added back in. These interest and fees apply to active tax receivable balances and do not include suspense related balances.		<u>38,588</u>
Net position of governmental activities as shown on Statement A		<u>\$ 12,285,118</u>

See the accompanying notes to the basic financial statements.

Town of Hampton, Connecticut
Statement of revenues, expenditures, and changes in fund balances - Governmental funds
For the year ended June 30, 2021

	General fund	Small cities program fund	Capital & nonrecurring fund	Non-major governmental funds	Total governmental funds
Revenues					
Property tax revenues	\$ 3,983,845	\$ -	\$ -	\$ -	\$ 3,983,845
Intergovernmental - education	1,058,408	-	-	229,124	1,287,532
Intergovernmental - on behalf	621,575	-	-	-	621,575
Intergovernmental - tax relief	13,047	-	-	-	13,047
Intergovernmental - other	241,904	-	-	298,756	540,660
Charges for services	101,046	-	1,161	14,670	116,877
Interest income	1,977	-	414	351	2,742
Return of school equity	100,213	-	-	-	100,213
Miscellaneous	60,963	-	500	1,500	62,963
Total revenues	<u>6,182,978</u>	<u>-</u>	<u>2,075</u>	<u>544,401</u>	<u>6,729,454</u>
Expenditures					
Current:					
General government	471,425	2,333	9,770	29,893	513,421
Public safety	239,346	-	-	-	239,346
Public works	490,739	-	-	15	490,754
Sanitation and waste	138,295	-	-	-	138,295
Health and welfare	28,655	-	-	-	28,655
Education	3,516,571	-	-	236,381	3,752,952
Education - on behalf	621,575	-	-	-	621,575
General and program	99,491	-	-	26,690	126,181
Unclassified	7,489	-	-	-	7,489
Capital outlay	-	-	219,734	-	219,734
Debt service:					
Principle	2,224	-	-	-	2,224
Interest	-	-	-	-	-
Total expenditures	<u>5,615,810</u>	<u>2,333</u>	<u>229,504</u>	<u>292,979</u>	<u>6,140,626</u>
Excess (deficiency) of revenues over (under) expenditures	<u>567,168</u>	<u>-2,333</u>	<u>-227,429</u>	<u>251,422</u>	<u>588,828</u>
Other financing sources (uses)					
Transfers in	97,000	-	142,983	19,350	259,333
Transfers out	-162,333	-	-97,000	-	-259,333
Total other financing sources (uses)	<u>-65,333</u>	<u>-</u>	<u>45,983</u>	<u>19,350</u>	<u>-</u>
Net change in fund balance	501,835	-2,333	-181,446	270,772	588,828
Fund balance - July 1, as Restated	<u>1,153,681</u>	<u>3,000,897</u>	<u>541,140</u>	<u>134,252</u>	<u>4,829,970</u>
Fund balance - June 30	<u>\$ 1,655,516</u>	<u>\$ 2,998,564</u>	<u>\$ 359,694</u>	<u>\$ 405,024</u>	<u>\$ 5,418,798</u>

See the accompanying notes to the basic financial statements.

Town of Hampton, Connecticut
Reconciliation of Statement D to Statement B
for all governmental funds and activities
For the year ended June 30, 2021

Net changes in governmental fund balances as shown on Statement D		\$ 588,828
Amounts reported for governmental activities in the government-wide financial statements (Statement B) differ from the amounts reported in the fund financial statements (Statement D):		
1 Capital asset purchases are recorded as expenditures in Statement D and are capitalized and shown as depreciation expense over their estimated useful lives in Statement B:		
Current year capital asset purchases to be capitalized	488,182	
Current year depreciation expense on current and previous capital assets	-452,582	35,600
2 Property tax revenues are recognized on Statement D as described in note 1G of the notes to the financial statements however property tax revenues are recorded in the full amount of the annual levy in Statement B and therefore the current year adjustment described in note 1G must be added back in or subtracted back out:		-91,008
3 The basis of presentation and revenue recognition is different from the government-wide financial statements shown on Statement B and the fund financial statements shown on Statement D. This difference in revenue recognition policies results in certain revenue amounts being recognized in Statement D and being recorded as unearned in Statement B:		
Prior year unearned revenue amounts to be recognized	30,460	
Current year revenue amounts to be recorded as unearned	-334,006	-303,546
4 Interfund transfers between governmental funds are reported on Statement D but must be eliminated on Statement B:		
Transfers in	259,333	
Transfers out	-259,333	-
5 Payments on and changes in long-term liabilities are recorded as current year activities on Statement D however they are shown as increases or decreases in liability accounts in the government-wide financial statements and therefore must be adjusted accordingly:		
Note payable principal repayment	2,224	
Accrued compensated balances decrease	4,080	
Other post-employment benefit liability decrease	14,912	21,216
6 Estimated accounts receivable for delinquent interest and lien fees are recorded as revenue when received on Statement D and as a reduction in a recorded receivable on Statement B and therefore must not be shown as current activity:		
Prior year recorded delinquent interest and lien receivable balance	-66,480	
Current year recorded delinquent interest and lien receivable balance	38,588	-27,892
Change in net position of governmental activities as shown on Statement B		\$ 223,198

See the accompanying notes to the basic financial statements.

Town of Hampton, Connecticut
Statement of revenues, expenditures, and changes in fund balance
Budget and actual (Budgetary basis) - General fund
For the year ended June 30, 2021

	Original budget	Budget revisions	Final budget	Actual	Variance
Revenues					
Property tax revenues	\$ 3,813,108	\$ -	\$ 3,813,108	\$ 3,983,845	\$ 170,737
Intergovernmental - education	1,058,408	-	1,058,408	1,058,408	-
Intergovernmental - tax relief	13,224	-	13,224	13,047	-177
Intergovernmental - other	259,847	-	259,847	241,904	-17,943
Charges for services	35,550	-	35,550	101,046	65,496
Interest income	12,000	-	12,000	1,977	-10,023
Return of school equity	-	-	-	100,213	100,213
Miscellaneous	51,781	-	51,781	60,963	9,182
Total revenues	<u>5,243,918</u>	<u>-</u>	<u>5,243,918</u>	<u>5,561,403</u>	<u>317,485</u>
Expenditures					
General government:					
Selectmen	74,796	-	74,796	67,587	7,209
Tax collector	31,222	-	31,222	28,422	2,800
Board of assessment appeals	250	-	250	136	114
Town clerk	56,641	-	56,641	51,801	4,840
Town legal	3,000	-	3,000	768	2,232
Town treasurer	29,400	-	29,400	28,354	1,046
Town assessor	42,129	-	42,129	39,317	2,812
Town hall	26,060	3,575	29,635	29,619	16
Elections	27,925	4,720	32,645	28,814	3,831
Planning and zoning	40,414	-	40,414	39,489	925
Conservation commission	250	-	250	165	85
Inland wetlands	5,478	-	5,478	4,153	1,325
Auditor and capital assets	14,000	-464	13,536	12,250	1,286
Board of finance legal	3,000	-	3,000	751	2,249
Board of finance administration	2,825	464	3,289	3,288	1
Town utilities and fuel	48,687	-2,224	46,463	36,179	10,284
Employee retirement plan	8,800	-	8,800	8,363	437
Health insurance	95,308	-	95,308	87,487	7,821
Green energy	2,500	-	2,500	2,454	46
	<u>512,685</u>	<u>6,071</u>	<u>518,756</u>	<u>469,397</u>	<u>49,359</u>
Public safety:					
Fire marshal	10,509	-86	10,423	9,449	974
Hampton volunteer fire department	105,149	-	105,149	105,149	-
Hampton volunteer fire incentive	25,000	-	25,000	25,000	-
Ambulance services	51,600	-	51,600	51,600	-
Dispatch services	5,188	-	5,188	5,188	-
Paramedic services	2,850	-	2,850	2,802	48
Building inspector	29,900	2,953	32,853	32,852	1
Burning permits	200	-67	133	-	133
Dot physicals	550	-	550	506	44
	<u>230,946</u>	<u>2,800</u>	<u>233,746</u>	<u>232,546</u>	<u>1,200</u>
Animal control pound	5,837	-	5,837	5,837	-
Animal control other	1,575	-	1,575	963	612
	<u>7,412</u>	<u>-</u>	<u>7,412</u>	<u>6,800</u>	<u>612</u>

See the accompanying notes to the basic financial statements.

Town of Hampton, Connecticut
Statement of revenues, expenditures, and changes in fund balance
Budget and actual (Budgetary basis) - General fund
For the year ended June 30, 2021

	Original budget	Budget revisions	Final budget	Actual	Variance
Public works					
Paving	\$ 220,000	\$ -	\$ 220,000	\$ 220,000	\$ -
Road maintenance	261,650	-140	261,510	222,394	39,116
Fuel	27,788	-1,528	26,260	12,078	14,182
Locip grant	28,554	-	28,554	9,982	18,572
Tree removal	30,000	-	30,000	2,000	28,000
Salt storage	5,500	-	5,500	5,500	-
Safety and training	3,000	-	3,000	1,399	1,601
Town garage maintenance	2,000	1,668	3,668	3,667	1
Equipment maintenance	14,500	-	14,500	11,713	2,787
Small tools	2,000	-105	1,895	901	994
Signs	1,000	105	1,105	1,105	-
	<u>595,992</u>	<u>-</u>	<u>595,992</u>	<u>490,739</u>	<u>105,253</u>
Sanitation and waste					
Transfer station operations	43,142	3,547	46,689	45,654	1,035
Transfer station lease	17,082	-258	16,824	16,824	-
Tipping fees	51,975	780	52,755	52,755	-
Waste transport	21,200	1,862	23,062	23,062	-
	<u>133,399</u>	<u>5,931</u>	<u>139,330</u>	<u>138,295</u>	<u>1,035</u>
Health and welfare					
Public nurse	1,000	-	1,000	-	1,000
Health district	10,655	-	10,655	10,655	-
Senior citizens	4,000	-	4,000	4,000	-
Elderly services provider	1,000	-	1,000	1,000	-
United services	1,304	-	1,304	1,304	-
Other services	3,514	-	3,514	2,504	1,010
Covid related expenditures	25,000	-4,051	20,949	9,192	11,757
	<u>46,473</u>	<u>-4,051</u>	<u>42,422</u>	<u>28,655</u>	<u>13,767</u>
Education					
Elementary education	2,104,318	-15,450	2,088,868	2,021,300	67,568
Secondary education	1,512,507	-	1,512,507	1,512,507	-
	<u>3,616,825</u>	<u>-15,450</u>	<u>3,601,375</u>	<u>3,533,807</u>	<u>67,568</u>
General and program					
Library	34,680	-	34,680	34,680	-
Town social security	35,512	-	35,512	29,189	6,323
Insurance and bonds	35,230	-	35,230	32,622	2,608
Contingency	15,000	-12,975	2,025	3,000	-975
	<u>120,422</u>	<u>-12,975</u>	<u>107,447</u>	<u>99,491</u>	<u>7,956</u>
Unclassified					
Dial a ride	2,127	-	2,149	2,148	1
Organizational dues	2,813	-	2,813	2,813	-
Probate court	622	-	622	622	-
Memorial day parade	450	-	492	492	-
Other community services	2,100	-	2,036	1,414	622
	<u>8,112</u>	<u>-</u>	<u>8,112</u>	<u>7,489</u>	<u>623</u>

See the accompanying notes to the basic financial statements.

Town of Hampton, Connecticut
Statement of revenues, expenditures, and changes in fund balance
Budget and actual (Budgetary basis) - General fund
For the year ended June 30, 2021

	Original budget	Budget revisions	Final budget	Actual	Variance
Debt service:					
Principal	\$ -	\$ 2,224	\$ 2,224	\$ 2,224	\$ -
Interest	-	-	-	-	-
	<u>-</u>	<u>2,224</u>	<u>2,224</u>	<u>2,224</u>	<u>-</u>
Total expenditures	<u>5,272,266</u>	<u>-15,450</u>	<u>5,256,816</u>	<u>5,009,443</u>	<u>247,373</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-28,348</u>	<u>15,450</u>	<u>-12,898</u>	<u>551,960</u>	<u>564,858</u>
Other financing sources (uses)					
Use of unassigned fund balance	-	127,231	127,231	-	-127,231
Operating transfers in	-	-	-	97,000	97,000
Operating transfers out	<u>-19,652</u>	<u>-142,681</u>	<u>-162,333</u>	<u>-162,333</u>	<u>-</u>
Total other financing sources (uses)	<u>-19,652</u>	<u>-15,450</u>	<u>-35,102</u>	<u>-65,333</u>	<u>-30,231</u>
Change in fund balance	-48,000	-	-48,000	486,627	534,627
Current fiscal year encumbrances				17,236	
Prior fiscal year encumbrances				-2,028	
Non-budgeted State on behalf revenues				621,575	
Non-budgeted State on behalf expenditures				<u>-621,575</u>	
Net change in fund balance				501,835	
Fund Balance - July 1				<u>1,153,681</u>	
Fund Balance - June 30				<u>\$ 1,655,516</u>	

See the accompanying notes to the basic financial statements.

Town of Hampton, Connecticut
Statement of fiduciary net position and Statement of changes
in fiduciary net position - Fiduciary funds
As of and for the year ended June 30, 2021

	<u>Custodial funds</u>
Assets	
Cash	\$ 5,763
Investments	-
Accounts receivable	-
Due from other funds	-
Total assets	<u>5,763</u>
Liabilities	
Accounts payable	-
Accrued payroll	-
Other liabilities	-
Due to other funds	-
Total liabilities	<u>-</u>
Net position	
Restricted	
Expendable	5,763
Non-expendable	-
Unrestricted	-
Total net position	<u>5,763</u>
Total liabilities and net position	<u>\$ 5,763</u>
Additions	
Collections for student groups/activities	\$ 1,019
Collections for other groups	2,874
Interest income	-
Miscellaneous	-
Total additions	<u>3,893</u>
Deductions	
Payments for student groups/activities	2,240
Payments for other groups	3,127
Capital expenditures	-
Miscellaneous	-
Total deductions	<u>5,367</u>
Change in net position	-1,474
Net position - July 1	<u>7,237</u>
Net position - June 30	<u>\$ 5,763</u>

See the accompanying notes to the basic financial statements.

Town of Hampton, Connecticut
Notes to the basic financial statements
June 30, 2021

The Town of Hampton, Connecticut (the Town) is located in the central section of Connecticut. The Town is a municipal corporation which is governed by an elected Board of Selectmen.

Note 1 - Summary of significant accounting policies

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting. Standards of accounting and financial reporting issued by the Financial Accounting Standards Board, Accounting Principles Board Opinions, and the Accounting Research Bulletins of the American Institute of Certified Public Accountants Committee on Accounting Procedure on or before November 30, 1989, generally are followed in the government-wide financial statements, when applicable, to the extent that those standards do not conflict with or contradict pronouncements of the GASB. The basic financial statements of the Town consist of government-wide financial statements and fund financial statements. The basis of presentation, measurement focus, and basis of accounting differ for these two types of financial statements and are described separately in Section B and C below. The other following sections represent a summary of the significant accounting policies as applied by the Town.

A. Reporting entity

The financial reporting entity consists of the primary government and its component units, organizations for which the primary government is financially accountable or for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

The Town has determined that the Hampton Volunteer Fire Department (the Department) meets the definition of a component unit due to its fiscal dependence on the Town. For a legally separate entity to be considered fiscally independent it must, among other things, have the authority to determine its budget without the primary government having the authority to approve and modify that budget. The Town approves a certain amount of money on an annual basis to be appropriated directly to the Department which funds a portion of its operations. Though the Town does not directly have the authority to approve or modify the budget of the Department, it does indirectly do this by deciding the amount that it will or will not appropriate on an annual basis. In addition, the public safety complex and the related operating, maintenance and utility costs of the building and other equipment items used by the Department may be purchased by the Town. This also creates a level of fiscal dependence due to the fact that the Department could not function in its current capacity without this assistance. In addition to the level of fiscal dependence between the Town and the Department, the Town considers the nature and significance of the relationship with the primary government as such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Town has also determined that the Fletcher Memorial Library (the Library) meets the definition of a component unit due to its fiscal dependence on the Town. For a legally separate entity to be considered fiscally independent it must, among other things, have the authority to determine its budget without the primary government having the authority to approve and modify that budget. The Town approves a certain amount of money on an annual basis to be appropriated directly to the Library which funds a portion of its operations. Though the Town does not directly have the authority to approve or modify the budget of the Library, it does indirectly do this by deciding the amount that it will or will not appropriate on an annual basis. In addition to the level of fiscal dependence between the Town and the Library, the Town considers the nature and significance of the relationship with the primary government as such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The activities of the Department and the Library should be shown on the Town's financials statements as discretely presented component units in accordance with the provisions of GASB Statement No. 14 as amended by Statement Nos. 39 and 61 and any additional and available guidance or implementation guides. Audited financial information of the Department and the Library, however, has not been included in the accompanying government-wide financial statements and therefore the independent auditors' report includes an adverse opinion on the aggregate discretely presented component units of the Town.

Town of Hampton, Connecticut
Notes to the basic financial statements
June 30, 2021

B. Government-wide financial statements

1. Basis of presentation

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements report information about the Town as a whole without displaying individual funds or fund types. These statements distinguish between the primary government as well as the governmental and business-type activities of the Town. These statements do not include information about the fiduciary activities and funds of the Town or component units which are fiduciary in nature. Fiduciary activities and funds report assets which are held by the Town in a trustee or agency capacity and which cannot be used to support the activities and programs of the Town.

The statement of net position presents the financial position of the governmental and business-type activities of the primary government of the Town and any discretely presented component units at the end of the fiscal year. This statement reports the assets, liabilities, and net position of the Town. The assets and liabilities are presented in the order of their relative liquidity. The liquidity of assets is determined by how readily they are expected to be converted into cash and whether there are restrictions in place limiting their use by the Town. The liquidity of liabilities is determined by their maturity or by when cash will be used to liquidate them. The net position balance of the Town consists of the net investment in capital assets (total capital assets net of accumulated depreciation and reduced by the total outstanding debt incurred to purchase the assets), restricted and unrestricted amounts. Restricted net position is present when constraints are imposed externally by creditors, grantors, contributors, other governments, or by law through constitutional provisions or enabling legislation. Unrestricted net position consists of all net position balances not meeting the definition of net investment in capital assets or restricted. Internal balances between individual funds within the governmental activities are eliminated in this statement to minimize the "grossing-up" of assets and liabilities. These internal balances are also known as inter-fund receivables and payables and are shown in the fund financial statements as due to and due from other funds. Any residual amounts due between the governmental and business-type activities of the Town would be shown as an internal balance on the statement of net position which would cancel out in the total column for the primary government.

The statement of activities presents the operations of the governmental and business-type activities of the primary government of the Town for the fiscal year. The operations of the Town are shown in a format which reports the net (expense) revenue of the individual functions of the Town. The purpose of this net (expense) revenue format is to report the relative financial burden of each of the Town's functions on the taxpayers. Program revenue is applied to each function based on which function generated the specific charges for services and for which functions the operating and capital grants have been received. All taxes are shown as general revenues regardless of whether they were levied for a specific purpose or function. The categories of individual functions correspond to the different departments and operations of the Town. Indirect expenses which benefit the Town as a whole are not required to be allocated among the other functions of the Town and therefore they are not allocated. Depreciation expense is allocated to the specific functions (sometimes referred to as departments) of the Town based on which function purchased or benefits from the assets. Depreciation on assets shared between two or more functions is allocated based on the percentage purchased by each function. If the benefit received from these assets shifts from the function making the purchase to another function in a material amount, the depreciation amount being charged will be shifted accordingly. Depreciation on capital assets which benefit all of the functions of the Town, such as infrastructure assets, is shown as a separate line item. Internal activity between individual funds within the governmental and business-type activities are eliminated in this statement. This internal activity is also known as transfers in and out and is shown in the fund financial statements as such. The above information relating to the government-wide financial statements basis of presentation reference both governmental and business-type activities. The Town currently does not have any business-type activities.

2. Measurement focus and basis of accounting

The statement of net position and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. The accrual basis of accounting would be used for both governmental and business-type activities of the primary government of the Town and any discretely presented component units. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. In other words, revenues and the related assets are recognized when they are earned and expenses and the related liabilities are recognized when they are incurred. The Town does not have an established policy relating to the use of restricted and unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Absent of an established policy which addresses this situation, accounting guidance states that it should consider that restricted amounts would be reduced first and then unrestricted amounts.

Town of Hampton, Connecticut
Notes to the basic financial statements
June 30, 2021

C. Fund financial statements

1. Basis of presentation

The fund financial statements of the Town consist of a balance sheet with a reconciliation to the government-wide statement of net position, a statement of revenues, expenditures, and changes in fund balances with a reconciliation to the government-wide statement of activities, a budgetary comparison schedule for the general fund, and a statement of fiduciary net position and a statement of changes in fiduciary net position. These fund financial statements are designed to report additional and more detailed information about the primary government. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts which records cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with any special regulations, restrictions, or limitations which may exist. The types of funds shown for the Town are governmental funds, proprietary funds and fiduciary funds as applicable. The focus of these fund financial statements are on major funds as defined by GASB Statement No. 34. All major funds are reported in a separate column with all non-major funds being aggregated and reported in a single column.

Governmental fund reporting focuses primarily on the sources, uses, and balances of the current financial resources of the Town. The governmental funds used by the Town include the general fund, and other non-major governmental fund types such as special revenue funds, capital project funds, and permanent funds. The general use and purpose of these individual governmental fund types are as follows. The individual names of each fund within each non-major governmental fund type can be found in the accompanying combining schedules and the purpose of the fund is generally self explanatory within each title.

- a. General fund - The general fund is the main operating fund of the Town. It is used to account for and report all financial resources not accounted for and reported in another fund.
- b. Special revenue funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term proceeds of specific revenue sources establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. The specific restricted or committed revenues may be initially received in another fund and subsequently distributed to a special revenue fund, however, those amounts should not be recognized as revenue in the fund initially receiving them but rather be shown as revenue in the special revenue fund in which they will be expended for the specified purpose. The restricted or committed proceeds of the specific revenue sources should be expected to continue to make up a substantial portion of the resources flowing into the fund. Other financial resources such as investment income and transfers from other funds may also be reported within a special revenue fund as long as those resources are restricted, committed or assigned to the specified purpose of the fund.
- c. Capital project funds - Capital project funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, such as the acquisition or construction of capital facilities and other capital assets or for the accumulation of funds for these purposes.
- d. Permanent funds - Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town's programs and in effect the benefit of the Town or its citizens.

Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds are used to report assets held in a trustee or custodial capacity for others and therefore cannot be used to support the programs of the Town. Fiduciary funds can be classified as pension or other employee benefit trust funds, investment trust funds, private purpose trust funds and custodial funds. The fiduciary activities of the Town are classified as custodial funds as they relate to the student activity accounts located at the Board of Education.

- e. Custodial funds - Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds.

The balance sheet is used to report information about the current financial resources (assets, deferred outflows of resources, liabilities, deferred inflows of resources and fund balances) of each major governmental fund and for all non-major governmental funds in the aggregate. The fund balance amounts within the governmental funds are segregated between nonspendable, restricted, committed, assigned and unassigned amounts. These balances are shown on the face of the balance sheet in the aggregate but are broken out into the required detail in note 1R on pages 28 and 29. An accompanying schedule is also required to be completed to reconcile the total governmental fund balance to the total net position balance of the governmental activities of the Town as shown on the government-wide statement of net position.

Town of Hampton, Connecticut
Notes to the basic financial statements
June 30, 2021

The statement of revenues, expenditures, and changes in fund balances is used to report information about the inflows, outflows, and balances of current financial resources of each major governmental fund and all non-major funds in the aggregate. Revenues are classified by major revenue sources while expenditures are classified by categories of individual functions corresponding to the different departments and operations of the Town. The proceeds from the issuance of long-term debt and operating transfers between individual funds are shown as other financing sources and uses. An accompanying schedule is also required to be completed to reconcile the total change in governmental fund balances to the total change in net position of the governmental activities of the Town as shown on the government-wide statement of activities.

The budgetary comparison information is required to be presented for the general fund and each major special revenue or capital project fund that has a legally adopted annual budget. This statement shows the original budget as voted on and appropriated, the changes made to each individual departmental line item within the budget, and the final budget which is compared to the actual revenue and expenditure balances to come up with the favorable or unfavorable variance numbers.

The statement of fiduciary net position shows information in regard to the assets and liabilities of the fiduciary funds of the Town which consist of custodial funds. The statement of changes in fiduciary net position shows information in regard to the additions to, subtractions from, and net increase or decrease for the year in fiduciary fund net position.

2. Measurement focus and basis of accounting

The balance sheet and the statement of revenues, expenditures, and changes in fund balances are prepared using the current financial resources measurement focus and the modified accrual basis of accounting for all governmental and fiduciary funds. Capital assets and long-term debt are not recorded as assets or liabilities on the balance sheet of the Town. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Under the modified accrual basis of accounting revenues are recognized when they become measurable and available as net current assets. Property tax revenues are recognized when they become available. Available includes those property taxes receivable which are expected to be collected within the first sixty days after the end of the current fiscal year, as applicable. Miscellaneous revenues are recorded when received because they are generally not measurable until actually received. Intergovernmental revenues are accrued, when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available. The Town generally considers intergovernmental revenues which are received within the first sixty days after the end of the current fiscal year to be both measurable and available. Expenditures are generally recognized under this basis of accounting when the related fund liability is incurred. Exceptions to this general rule include general long-term debt principal and interest which is recognized when due.

D. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results may differ from those estimates.

E. Cash and cash equivalents

Cash and cash equivalents include amounts in demand deposit accounts as well as all highly liquid short-term investments with a maturity date within three months of the date acquired. The Town may classify money market accounts, certificates of deposit accounts and other higher yielding accounts as investments regardless of maturity when they are used to gain a higher interest rate in order to more accurately reflect how the Town's cash balances are being used for the benefit of the Town.

F. Investments

The Town's policy is to value investments at their fair value as of the end of the fiscal year. Some of the types of investments authorized by the State of Connecticut include obligations of the United States Government, obligations fully insured or guaranteed by the government or governmental agency, the State local government investment pool (STIF account), and repurchase agreements. The Town may vote to accept investments other than those authorized by the State in situations where they have been donated to the Town.

Town of Hampton, Connecticut
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G. Revenue recognition - property taxes

The Town's property tax for the current year was levied June 10, 2020 on the grand list as of October 1, 2019, for the real, motor vehicle and personal property located in the Town at a rate of 25.50 mills. Real estate and personal property taxes were due on July 1, 2020 and January 1, 2021. Motor vehicle taxes were due on July 1, 2020. Supplemental motor vehicle taxes were levied on December 14, 2020 and were due on January 1, 2021. Interest on unpaid taxes commenced 30 days after the aforementioned due dates, at 18% per annum. As described earlier, in the fund financial statements property tax revenues are recorded in the amount of the annual principal property tax assessment with an adjustment being made for the amount of principal expected to be collected within the first sixty days after the end of the current fiscal year. In the government-wide financial statements, the total current year principal assessment is recorded as revenue.

H. Receivables & allowance for doubtful accounts

All property tax, intergovernmental, and other receivables are reported net of any allowance for doubtful accounts. The current year fund financial statement accounts receivable balances include property tax principal amounts of \$95,928, intergovernmental amounts due on state, federal and other grant and award agreements as well as other intergovernmental agreements of \$12,287 and other miscellaneous receivable amounts of \$269. The current year government-wide financial statements include all of the above mentioned receivable types in addition to accumulated delinquent interest and fees on the active property tax principal amounts. Delinquent interest and fees on suspense tax receivable principal balances are not included. The current year delinquent interest receivable balance is \$38,588. The Town will book an unbilled receivable in situations when a grant or contract has incurred expenditures which will be reimbursed by a funding source but which have not yet been fully received in cash for the amount incurred. The current fiscal year intergovernmental receivable balance above does not include any unbilled receivable amounts. The current allowance for doubtful accounts in relation to the above mentioned accounts receivable balances was estimated to be \$0. The Town considers past experience with receivable balance collections and current aging report details when determining its calculation for an allowance for doubtful accounts. Receivables are only written off once it has been determined that all other methods of collection have been utilized without success.

I. Tax acquired property

Property which has been foreclosed on by the Town due to non-payment of taxes or other similar situations is classified as tax acquired property at the value of the original outstanding tax receivable amount. Interest and fees on the property are recorded at such time when the property is sold. The current value of the recorded tax acquired property of the town was \$31,914 as of the end of the current fiscal year. There were no current fiscal year additions.

J. Inventories

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used which is in accordance with the consumption method. On the fund financial statements, inventories are presented at cost on a first-in, first-out basis and are recorded as expenditures when used. The Town currently has no material and reported inventory amounts.

K. Prepaid items

Payments made to vendors for services and in certain circumstances goods that will benefit periods beyond the end of the fiscal year are recorded as prepaid expenses-expenditures using the consumption method by recording an asset for the prepaid amount and reflecting the expense-expenditure in the subsequent year (s) in which the services are consumed. Expenditures relatively minor in nature for insurance and similar services extending over more than one accounting period need not be allocated between or among accounting periods, but may be accounted for as expenditures of the period of acquisition. The Town considers relatively minor in nature generally to include aggregated similar items not exceeding \$2,500. Payments made to vendors for services and in certain circumstances goods that will only benefit periods beyond the end of the fiscal year which are related to grants and other governmental fund activities are recorded as prepaid expenses-expenditures regardless of the dollar amount.

Town of Hampton, Connecticut
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L. Capital assets

The capital assets of the Town include land, land improvements, buildings, building improvements, vehicles, equipment, infrastructure and improvements, and all other tangible and intangible assets which may arise that are used in operations and that have an initial useful life extending beyond a single fiscal year. Infrastructure assets are long-lived capital assets that are normally stationary in nature and can normally be preserved for a significantly greater number of years than most capital assets. The types of infrastructure assets recorded by the Town include but are not limited to improved town roads, unimproved town roads, and bridges. All improvements to infrastructure and other capital assets are capitalized which add to the value or materially extend the life of the asset. All capital assets of the Town are recorded at historical cost or estimated historical cost when the actual amount is not available. The historical cost of these assets includes not only the cost of the asset but also capitalized interest charges and other direct costs associated with placing the asset into its intended location and its intended use. The Town maintains a capitalization threshold of \$5,000 for all capital assets with the exception of land purchases which are recorded regardless of amount. Donated capital assets are reported at their estimated fair value at the time of acquisition plus other direct costs associated with placing the asset into its intended location and use. Capital assets are only shown on the government-wide statement of net position.

Land and land improvements are not depreciated. All other individual capital assets of the Town are depreciated over their estimated useful lives using the straight line method. Under this method, the recorded cost of each capital asset less any estimated residual value is divided by the estimated useful life resulting in an even amount of depreciation to be taken on an annual basis. The estimated residual value is the amount that the capital asset is expected to be worth at the end of its useful life. The general estimated useful lives for specific types of capital assets are 3 - 10 years for equipment, 5 - 20 years for vehicles, 30 - 50 years for buildings and building improvements and infrastructure. Capital assets which are under construction but not yet completed are recorded as construction in progress. These capital assets will not begin to be depreciated until they are completed. Depreciation expense is allocated to the specific functions (sometimes referred to as departments) of the Town based on which function purchased or benefits from the assets. Depreciation on assets shared between two or more functions is allocated based on the percentage purchased by each function. If the benefit received from these assets shifts from the function making the purchase to another function in a material amount, the depreciation amount being charged will be shifted accordingly. Depreciation on capital assets which benefit all of the functions of the Town, such as infrastructure assets, is shown as a separate line item. Depreciation expense on capital assets is only shown on the government-wide statement of activities.

M. Interfund receivables and payables

Inter fund receivables and payables represent the balance of activity between the different funds of the Town. These activities include but are not limited to transfers which were not physically made, a portion of the annual tax commitment which may be applicable to certain special revenue and other funds of the Town which are shown as transfers within the annual budget document approved by the inhabitants of the Town and cash receipts which may have been deposited in the cash account of one fund but which are for the use of another fund. The actual receipt of this tax and other revenue is deposited into the general fund and accounted for as an inter fund receivable. Expenditures for one fund paid for out of another fund are also included in these balances. The inter fund balances and related activities of the governmental funds have been eliminated in the government-wide statement of net position and the statement of activities, however, the inter fund balances and related activity between the governmental and fiduciary fund activities of the Town are not eliminated on these statements when present.

N. Unearned revenue and Deferred inflows of resources

In the government-wide financial statements, revenue amounts which have been received in cash but not yet earned or recognized are recorded as unearned revenue in accordance with the accrual basis of accounting. The current fiscal year unearned revenue balance of the governmental activities totaled \$334,006 which is made up of unearned education grant balances of \$58,249 and unearned town grant balances of \$275,757. In the fund financial statements, revenues are recognized when they are both measurable and available to pay current liabilities in accordance with the modified accrual basis of accounting. In the fund financial statements, for government-mandated non-exchange transactions as well as voluntary non-exchange transactions which would include certain governmental grants received by the Town, revenues are recognized in the period when all applicable eligibility requirements have been met and when the resources are available. For grant agreements, once the Town has received the funds and is within the allowable spending period all applicable eligibility requirements are deemed to have been met at which time the purpose restrictions related to how the grant funds need to be spent become applicable. Any grant revenues which have been recognized because the Town has met all the applicable eligibility requirements but for which they have not yet met all of the purpose restrictions associated with the grant agreement are recorded as restricted fund balance amounts at the end of the fiscal year. The Town did not have any unearned revenue balances within the fund financial statements at the end of the current fiscal year.

Town of Hampton, Connecticut
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In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds of the Town currently report on the balance sheet unavailable revenue from property taxes which is calculated when considering the amount of property taxes receivable not expected to be received within the first 60 days after the fiscal year end in this category. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The current fiscal year deferred inflow of resources balance relating to these property taxes receivable is \$83,566.

O. Accounts payable, other liabilities and accrued payroll

The accounts payable balance of the town is used to account for the expenses or expenditures related to goods and services received during the current fiscal year for which the related invoices have not yet been paid as of the end of the current fiscal year. Under both the accrual and modified accrual basis of accounting expenses and expenditures are recorded when they are incurred. The other liabilities balance as shown on both the government-wide and fund financial statements of \$520 is made up of payroll withholding related amounts due of \$70 and other miscellaneous items of \$450. On the government-wide and the fund financial statements, the accrued payroll balance of the town represent amounts earned for hours worked or teacher salary amounts earned prior to the end of the fiscal year which were not physically paid until after the end of the fiscal year.

P. Long-term obligations and related costs

Long-term debt and other long-term obligations are reported as liabilities on the governmental-wide statement of net position. Bond premiums and discounts are capitalized and amortized over the life of the bonds using the straight line method. The unamortized portion is presented in the government-wide Statement of Net Position as a component of bonds payable. Bond issuance costs are reported as expenses when incurred. The fund financial statements recognize bond premiums and discounts, as well as bond issuance costs, during the period incurred. 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.

Q. Major funds - Fund financial statements only

The focus of the governmental funds of the Town is on the major funds. The general fund of the Town must always be shown as a major fund. In addition, other governmental funds are shown as major based on the following criteria. In addition, the capital reserve special revenue fund as described in item d is the only individual governmental fund which has been classified as major.

- a. The total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, and expenditures of an individual governmental or enterprise (if present) fund are at least 10% of the corresponding totals for all funds of the governmental or enterprise (if present) fund type and
- b. The total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, and expenditures of an individual governmental or enterprise (if present) fund are at least 5% of the corresponding totals for all governmental and enterprise (if present) funds combined.
- c. Any other individual governmental or enterprise (if present) fund that the Town believes is particularly important to the financial statement users whether because of public interest, consistency, or other reasons.

For the purposes of the current fiscal year fund financial statements, the following individual governmental funds have been classified as major. A brief description of the fund and the activities reported within the fund is as follows.

- d. Small cities program fund - This fund is used to account for and report the proceeds and activity of housing rehabilitation Community Development Block Grants received from the U.S. Department of Housing and Urban Development. The purpose of these grants is to provide assistance to low to moderate income residents for addressing housing needs with a priority being placed on public health and safety code violations and to establish a permanent loan fund using the proceeds. Each resident receiving benefits under these grants is required to sign a deferred promissory note.
- e. Capital and non-recurring fund - This fund is used to account for financial resources to be used by the Town to purchase or construct capital assets or projects. The capital assets purchased through this fund are usually more costly than those purchased and accounted for within other funds, functions, and departments. The activities within this fund are financed through annual appropriations as approved as part of the annual budget and through other miscellaneous grants, revenues and transfers.

Town of Hampton, Connecticut
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R. Fund balance classification policies and procedures - fund financial statements only

The fund balance amounts of the governmental funds of the Town on the balance sheet are broken down between nonspendable, restricted, committed, assigned and unassigned. These fund balance classifications are described as follows:

- a. Nonspendable fund balance - Nonspendable fund balance include amounts that cannot be spent because they are either (a) not in a spendable form such as inventories or prepaid expenditures or (b) they are legally or contractually required to be maintained intact such as the principal portion of a permanent funds or private purpose trust funds. The nonspendable fund balance amounts as reported by the Town consist solely of the principal portion of its permanent funds and private purpose trust funds and a corresponding amount for the recorded amount of inventory and prepaid expenditures when applicable.
- b. Restricted fund balances - Restricted fund balance include amounts that are restricted to a specific purpose when the restraints are placed on the use of the resources either by (a) externally imposed creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Town to assess, levy, charge or otherwise mandate payment of resources from external sources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. The restricted fund balance amounts of the Town consist of the residual fund balance amounts at the end of the fiscal year as they relate to grants received from either State, Federal or local funding sources or donations received to be spent for specific purposes. These amounts are restricted to be expended on the items outlined within the funding agreement with the Town or for which funds are being donated and cannot be used for any other specified purposes. In addition, the Town has created a special revenue fund to account for and report the proceeds of funds collected by the town clerks office as mandated by the State of Connecticut in relation to historic document preservation fees and a town clerk discretionary fund. These mandated fees are considered a form of enabling legislation imposed by the State and therefore the funds collected by the Town are restricted to be expended based on the parameters of the enabling legislation. Other funds restricted by the Town include the balance of the small cities program income fund which relates to housing rehabilitation grants received by the Town, the non-principal portion of permanent funds and other similar funds as applicable based on the parameters of the funding source.
- c. Committed fund balance - Committed fund balance include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision making authority. These committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The Board of Finance is considered to be the highest level of decision making authority within the Town for determining committed fund balance amounts. The Board of Finance has the final approval for the budget amounts which are presented to the citizens of the Town for approval and in turn the establishment of the related special revenue or capital project funds. The approval of the annual town budget includes amounts characterized as specific revenue sources as a portion of either the annual tax commitment or other specific revenue sources contained and voted on within the annual budget. An example of a committed fund balance amount would relate to an approved transfer to an established special revenue fund or the capital nonrecurring fund. The residual fund balance amount within these funds at the end of the fiscal year would be classified as committed fund balance. Any subsequent change in the specific purpose or use of these committed funds would need to be approved either at the annual town meeting or a special town meeting.
- d. Assigned fund balance - Assigned fund balance include amounts that are constrained by the Town with the intent to be used for specific purposes, but which are neither restricted or committed. The intent to use funds for specific purposes is to be assigned by either town meeting appropriations or the Board of Finance. The First Selectman has the authority to accept funds on behalf of the Town which are specific revenue sources to be used for specific purposes and to establish special revenue or capital project funds to account and report these amounts in accordance with the direction received from the Board of Finance. Assigned special revenue and capital project funds are usually made up of small streams of specific revenue sources for specific purposes for which there is a perceived benefit to segregating and reporting the funds rather than including them within the general fund. In addition, annual budgetary encumbrances outstanding at the end of the fiscal year would be classified by the Town as assigned amounts within the general or specific special revenue or capital project funds. Subsequent fiscal year budgeted appropriations of the unassigned general fund balance would also be reported as assigned fund balance amounts of the general fund at the end of the current fiscal year.
- e. Unassigned fund balance - Unassigned fund balance is the residual classification for the general fund of the Town. This classification represents fund balance amounts that have not been assigned to other funds and that have not been restricted, committed or assigned to specific purposes within the general fund. In addition, individual governmental funds whose ending fund balance is negative are also classified as unassigned within the specific fund.

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The Town does not have an established policy relating to the use of unrestricted fund balance amounts as it relates to when it considers committed, assigned or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of these three unrestricted classifications could be used. Absent of an established policy which addresses this situation, accounting guidance states that it should consider that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts. In addition, restricted fund balance amounts are considered to have been spent prior to unrestricted amounts under the same circumstances. The following table is designed to provide more detailed information regarding the aggregated fund balance classifications which are included on the balance sheet.

	General fund	Small cities program fund	Capital & nonrecurring fund	Non-major governmental funds	Total governmental funds
Fund balances:					
Nonspendable:					
Prepaid items	\$ 11,809	\$ -	\$ -	\$ -	\$ 11,809
Permanent fund principal	-	-	-	6,623	6,623
Other fund principal	-	-	-	25,000	25,000
	<u>11,809</u>	<u>-</u>	<u>-</u>	<u>31,623</u>	<u>43,432</u>
Restricted:					
Program income fund	-	2,998,564	-	-	2,998,564
Town grants	-	-	-	275,757	275,757
Educational grants	-	-	-	58,249	58,249
Contribution funds	-	-	-	7,763	7,763
Enabling legislation funds	-	-	-	3,727	3,727
Permanent fund non-principal amounts	-	-	-	4,140	4,140
Other fund non-principal amounts	-	-	-	286	286
	<u>-</u>	<u>2,998,564</u>	<u>-</u>	<u>349,922</u>	<u>3,348,486</u>
Committed:					
Capital building maintenance	-	-	4,099	-	4,099
Grange building maintenance	-	-	2,052	-	2,052
Town hall reserve fund	-	-	10	-	10
Revaluation fund	-	-	4,778	-	4,778
Open space fund	-	-	93,037	-	93,037
Land acquisition fund	-	-	10,005	-	10,005
Fire truck reserve	-	-	40,134	-	40,134
General trucks and equipment	-	-	654	-	654
Green energy efficiency	-	-	480	-	480
School capital fund	-	-	60,220	-	60,220
School reserve fund	-	-	143,805	-	143,805
	<u>-</u>	<u>-</u>	<u>359,274</u>	<u>-</u>	<u>359,274</u>
Assigned:					
School lunch program	-	-	-	11,420	11,420
Town activity funds	-	-	-	11,360	11,360
School activity funds	-	-	-	699	699
Youth sports funds	9,721	-	-	-	9,721
Current fiscal year encumbrances	17,236	-	-	-	17,236
	<u>26,957</u>	<u>-</u>	<u>-</u>	<u>23,479</u>	<u>50,436</u>
Unassigned					
General fund	1,616,750	-	-	-	1,616,750
Unallocated balances	-	-	420	-	420
	<u>1,616,750</u>	<u>-</u>	<u>420</u>	<u>-</u>	<u>1,617,170</u>
Total fund balances	<u>\$ 1,655,516</u>	<u>\$ 2,998,564</u>	<u>\$ 359,694</u>	<u>\$ 405,024</u>	<u>\$ 5,418,798</u>

Town of Hampton, Connecticut
Notes to the basic financial statements
June 30, 2021

S. Budget

The Town's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting (except in relation to teacher on-behalf payments made by the State which are not budgeted for and encumbrances) which is consistent with generally accepted accounting principles. In addition, the budget calls for certain amounts to be transferred or allocated to specific funds which have been set up by the Town for specific purposes. A portion of the budgeted revenues to be raised by the annual tax commitment are considered by the Town to be a specific revenue source which are committed to expenditure for these specified purposes. The budget calls for the revenue to be shown within the general fund and a transfer out to be shown to each of these specific funds. These specific portions of the annual tax commitment are shown within each specific special revenue and capital project fund as a transfer in rather than as property tax revenue. The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the department level within each general function of the Town. Only the Board of Finance may approve budget transfers within and between expenditure classes and individual departments in accordance with established town practices and the applicable State statutes. The bottom line budgeted revenue and expenditure amounts can only change upon approval of the inhabitants of the Town through a special town meeting. The procedures followed in establishing the budgetary data reflected in the financial statements are as follows:

- a. Early in the second half of the last fiscal year the Town's selectmen, departments, boards and commissions submitted budget requests for the year beginning July 1. The operating budgets include proposed expenditures and the means of financing them.
- b. Hearings are then held for the submitted budget requests by functions: (1) Selectmen's budget, (2) departments, (3) boards and commissions, (4) capital and nonrecurring requests and (5) Board of Education.
- c. A meeting of the inhabitants of the Town is then called for the purpose of adopting the proposed budget after public notice of the meeting had been given. In accordance with current fiscal year executive orders as issued by the Governor, the Board of Finance approved the current fiscal year budget at its regular meeting on June 10, 2020.

	Revenues	Expenditures	Other financing sources (uses)	Net change in fund balance
GAAP basis - Statement D	\$ 6,182,978	\$ -5,615,810	\$ -65,333	\$ 501,835
Current fiscal year encumbrances	-	-17,236	-	-17,236
Prior fiscal year encumbrances	-	2,028	-	2,028
State on-behalf benefits related to pensions	-593,051	593,051	-	-
State on-behalf benefits related to OPEB	-28,524	28,524	-	-
Budgetary basis - Statement E	<u>\$ 5,561,403</u>	<u>\$ -5,009,443</u>	<u>\$ -65,333</u>	<u>\$ 486,627</u>

T. Encumbrance accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year-end. The Town of Hampton does utilize encumbrance accounting. The assignment of fund balance at June 30, 2021 was \$17,236 for the general fund as it relates to the school department of the Town, and \$0 for the non-major special revenue funds as they relate to the state and federal grant programs of the Town.

U. Unclassified general and program expenditures

The Town uses departmental expenditure categories labeled unclassified general and program to account for certain types of expenditures that they do not feel truly fall into the traditional departmental expenditure categories. The general fund classifies the annual library appropriation, payroll taxes, town insurances and a contingency account into this departmental expenditure category. In addition, certain expenditures relating to the town small cities program income fund are grouped into this category.

Town of Hampton, Connecticut
Notes to the basic financial statements
June 30, 2021

Note 2 - Restricted cash and investments - government-wide financial statements only

The Town breaks cash and investments down between a regular current asset and an other asset restricted on the government-wide statement of net position. The other assets restricted cash and investment balances are made up of cash and investment balances relating to restricted net position balances which are restricted for specific purposes in subsequent fiscal years. The current year amounts shown on the government-wide statement of net position can be broken down as follows.

	Restricted cash	Restricted investments
Small cities program funds	\$ 315,566	\$ -
Restricted contribution funds	7,763	-
Enabling legislation related funds	3,727	-
Unearned state, federal, and other grant program balances	334,006	-
Non-major permanent funds	6,087	4,676
Non-major other funds	-	25,286
	<u>\$ 667,149</u>	<u>\$ 29,962</u>

Note 3 - Deposits and investments

The deposit of public funds is controlled by the Connecticut General Statutes Section 7-402. Deposits may be made in a qualified public depository as defined by the statute or, in amounts not exceeding FDIC insurance limits, in an out of state bank as defined by the statute, which is not a qualified public depository. Section 7-400 of the statutes permit municipalities to invest public funds in: 1) obligations of the United States and its agencies, 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof, and 3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open-end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the statutes cover specific municipal funds with particular investment authority. The Town does have other types of investments that represent assets which have been donated to the Town and therefore are not subject to specific state statute limitations.

Deposits

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a formal deposit policy for custodial credit risk beyond the requirements of State statutes. FDIC insurance covers all deposit accounts, including checking and savings accounts, money market deposit accounts and certificates of deposit. The standard insurance amount is \$250,000 per depositor, per insured bank, for each account ownership category. For government accounts the ownership category is per official custodian. At year end, the carrying amount of the Town's deposits was \$1,320,065 which is shown in the financial statements as cash balances of \$1,040,104 and investment balances of \$279,961 which represent certificates of deposit accounts and higher yielding money market accounts as applicable. The corresponding bank balances of these accounts at various financial institutions totaled \$1,127,187 with the difference between the two amounts being represented by timing differences with outstanding checks, deposits in transit and cash on hand. Of these bank balances, \$500,000 was determined to be covered by FDIC with the remaining \$627,187 representing balances that were determined to be uninsured and collateralized in part, as described in the following paragraph, by securities held by the pledging financial institutions' trust department or agent but not in the Town's name.

The Town does not have a formal deposit policy for custodial credit risk beyond the requirements of State statutes. All of the Town's deposits are in qualified public institutions as defined by state statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

Town of Hampton, Connecticut
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Investments

The following schedule shows these different types of investments as held by the Town, the maturities of these investments and the associated credit ratings as of June 30, 2021.

Type	Fair value	Maturities in years			Credit ratings
		Less than 1 year	1 - 5 years	6 - 10 years	S & P
Governmental types & funds:					
CT short term investment fund	\$ 1,547,416	\$ 1,547,416	\$ -	\$ -	AAAm
Certificates of deposit	279,961	250,000	29,961	-	not rated
	<u>\$ 1,827,377</u>	<u>\$ 1,797,416</u>	<u>\$ 29,961</u>	<u>\$ -</u>	

Interest Rate Risk - The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Credit Risk - The Town does not have a formal investment policy that would further limit its investment choices beyond those limited by Connecticut State statutes. The types of investments authorized to be carried by the Town are in accordance with those authorized by the State of Connecticut. These investments include obligations of the United States Government, obligations fully insured or guaranteed by the government or governmental agency, and repurchase agreements. The Town may vote to accept investments other than those authorized by the State in situations where they have been donated to the Town. Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a formal policy for custodial credit risk.

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB statements require or permit in the Statement of Net Position or Balance Sheet at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date; Level 2 inputs are other than quoted prices in Level 1 that are observable for the asset or liability, or similar assets or liabilities either directly or indirectly through corroboration with observable market data; Level 3 inputs are significant unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Investments	Fair value	Fair value measurement		
		Level 1	Level 2	Level 3
Governmental types & funds:				
CT short term investment fund	\$ 1,547,416	\$ 1,547,416	\$ -	\$ -
Certificates of deposit	279,961	279,961	-	-
	<u>\$ 1,827,377</u>	<u>\$ 1,827,377</u>	<u>\$ -</u>	<u>\$ -</u>

Town of Hampton, Connecticut
Notes to the basic financial statements
June 30, 2021

Note 4 - Interfund receivables, payables, and transfers - fund financial statements only

Interfund receivables and payables - The Town maintains a cash pool that is available for use by all funds. Each fund's portion of this pool is displayed on the balance sheet as "due to or from other funds" under each fund's caption. The purpose for interfund balances is to keep track of each fund's position in this cash pool. These balances are not expected to be repaid due to the fact that they simply represent funds collected or spent by one fund on behalf of another fund. The following information represents interfund receivables and payables by individual major fund and non-major funds in the aggregate. Only the balances for major funds are being shown below as is required. The following fund financial statement inter-fund balances are eliminated in the government-wide financial statements with the exception of private purpose trust funds, custodial funds and business type activities balances which are shown as internal balances on the Statement of net position when present. Separate balances may show up in both the due from and due to column of the general fund. This is because individual funds within each of the below listed fund types may have either a due to or a due from balance. The Town believes it is more beneficial to show this information separately rather than netted out.

	Receivable due from	Payable due to
General fund:		
Capital non-recurring fund	\$ -	\$ 20,000
Non-major special revenue funds	-	310,237
	\$ -	\$ 330,237
 Capital non-recurring fund:		
General fund	\$ 20,000	\$ -
Non-major special revenue funds	-	3,606
	\$ 20,000	\$ 3,606

Interfund transfers - Transfers in and out represent either budgeted or operating transfers which are not always physically made but need to be recorded to keep track of the individual fund balances. There were no transfers made by the Town during the current fiscal year which were significant which have been deemed not to have occurred on a routine basis and which are inconsistent with the activities of the fund (s) making the transfer (s). The transfers made during the current fiscal year were those budgeted transfers included and approved as part of the annual budget document or subsequently approved by a special town meeting or by Board of Finance motion as applicable. The first general fund to capital non-recurring fund transfer out represents the amount included in the annual budget while the second and third amounts represent additional and separate Board of Finance motions. The Board of Finance voted to approve the transferring of a portion of the remaining unspent education budget to the school capital fund in accordance with State legislature section 10-248a resulting in the current fiscal year approved transfer from the general fund in the amount of \$20,000. The capital non-recurring fund to general fund transfer out represents an amount approved at a special town referendum. The first general fund to non-major special revenue funds transfer out represents the annual transfer from the school budget to the school lunch program while the second amount represents the annual transfer to the recreation activities fund. The aforementioned budget transfers to and from the general fund and to and from the other funds of the town are as follows.

	Transfers in	Transfers out
General fund:		
Capital non-recurring fund	\$ 97,000	\$ -15,752
Capital non-recurring fund	-	-107,231
Capital non-recurring fund	-	-20,000
Non-major special revenue funds	-	-15,450
Non-major special revenue funds	-	-3,900
	\$ 97,000	\$ -162,333
 Capital non-recurring fund:		
General fund	\$ 142,983	\$ -97,000

Town of Hampton, Connecticut
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Note 5 - Capital assets - government-wide financial statements only

The following schedule shows the capital asset activity for the fiscal year ended June 30, 2021. Information about the specific accounting policies of the Town in relation to capital assets can be found in note 1L on page 26 of the financial statements.

Governmental activities:	Balance 07/01/20	Additions	Retirements	Balance 06/30/21
Capital assets not being depreciated:				
Land	\$ 936,485	\$ -	\$ -	\$ 936,485
Capital assets being depreciated:				
Buildings and improvements	7,870,538	37,157	-	7,907,695
Vehicles	1,669,357	111,238	-68,570	1,712,025
Equipment	524,125	108,620	-	632,745
Infrastructure and improvements	3,718,495	231,167	-	3,949,662
Total at historical value	<u>13,782,515</u>	<u>488,182</u>	<u>-68,570</u>	<u>14,202,127</u>
Less accumulated depreciation for:				
Building and improvements	-4,572,843	-225,021	-	-4,797,864
Vehicles	-1,179,560	-38,424	68,570	-1,149,414
Equipment	-412,518	-22,933	-	-435,451
Infrastructure and improvements	-950,915	-166,204	-	-1,117,119
Total accumulated depreciation	<u>-7,115,836</u>	<u>-452,582</u>	<u>68,570</u>	<u>-7,499,848</u>
Total capital assets being depreciated (net)	<u>6,666,679</u>	<u>35,600</u>	<u>-</u>	<u>6,702,279</u>
Governmental activities capital assets (net)	<u>\$ 7,603,164</u>	<u>\$ 35,600</u>	<u>\$ -</u>	<u>\$ 7,638,764</u>

Depreciation expense taken on the governmental activities capital assets of the town are charged by function or department in the government-wide financial statements. During the current fiscal year depreciation was charged to general government - \$43,748, public safety - \$9,251, public works - \$68,684, sanitation and waste - \$909, education - \$163,786 and general infrastructure - \$166,204 for a total current fiscal year depreciation expense amount of \$452,582.

Note 6 - Long-term liabilities - government-wide financial statements only

The long-term debt and other liabilities of the Town are made up of the following individual debt agreements and amounts. Long-term debt and other liabilities are shown on the government-wide financial statements as governmental activities items.

Governmental activities:	Balance 07/01/20	Additions	Reductions	Balance 06/30/21	Amount due within one year
Outstanding payables:					
\$8,455 note payable	\$ 1,233	\$ -	\$ -1,233	\$ -	\$ -
\$6,791 note payable	991	-	-991	-	-
	<u>2,224</u>	<u>-</u>	<u>-2,224</u>	<u>-</u>	<u>-</u>
Other liabilities:					
Accrued comp. balances - town	8,231	-	-1,080	7,151	
Accrued comp. balances - school	6,000	-	-3,000	3,000	
Other post-employment benefits	565,353	-	-14,912	550,441	
Total other liabilities	<u>579,584</u>	<u>-</u>	<u>-18,992</u>	<u>560,592</u>	
Total long-term liabilities	<u>\$ 581,808</u>	<u>\$ -</u>	<u>\$ -21,216</u>	<u>\$ 560,592</u>	<u>\$ -</u>

Town of Hampton, Connecticut
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The following is a summary of the terms, conditions, and ending balance as of June 30, 2021 of the outstanding long-term note payable of the Town as well as the outstanding principal requirements for the fiscal years ending June 30:

\$8,455 note payable issued in February of 2017 to finance an energy efficiency upgrade project at the town hall. This is a non-interest bearing note with monthly principal payments of \$176 through February of 2021.	\$	-
\$6,791 note payable issued in February of 2017 to finance an energy efficiency upgrade project at the town garage. This is a non-interest bearing note with monthly principal payments of \$141 through February of 2021.	\$	-
	\$	-

Note 7 - Accrued compensated balances

Non-elected full time employees of the Town are allowed to earn paid absences for vacation and sick time. The employee's right to be paid for these future vacation and sick time absences are attributable to services already performed and earned vacation and sick time balances do accumulate. Town accumulated vacation balances are paid when an employee leaves. Therefore, the probability of these benefits being paid can be determined and a liability has been recorded in the accompanying government-wide financial statements on the statement of net position. However, town accumulated sick time balances are not paid when an employee leaves and therefore no liability has been recorded in the accompanying government-wide financial statements on the statement of net position. As of June 30, 2021, the value of these accumulated sick time balances was approximately \$3,954. A current portion of the recorded liability for these vacation benefits has not been estimated due to the fact that it cannot be accurately determined when and in what amount individuals will use these vacation benefits during the upcoming fiscal year.

Teachers retiring from teaching after 15 years of service, the last 10 of which are in the Hampton elementary school, shall be paid a severance benefit of on \$150 per year of service (prorated to full-time equivalent years of service for part-time teachers) up to a maximum of \$1,500. Any teacher who honorably leaves the Hampton elementary school after 11 years of service (prorated to full-time equivalent years of service for part-time teachers) and who is not dismissed for cause, shall be entitled to a severance benefit calculated as follows: Teachers shall be paid 25% of their prorated daily salary for each accumulated sick leave day in excess of the statutory maximum accumulation of 150 sick days, provided that such benefit shall not exceed \$1,500. The current recorded liability for these earned severance payments is \$3,000 as of June 30, 2021. A current portion of the recorded liability for these severance payments has not been estimated due to the fact that it cannot be accurately determined which individuals will leave the employment of the Board of Education during the upcoming fiscal year thus receiving the applicable severance payment amount.

Note 8 - Net position balances - net investment in capital assets

The net investment in capital assets, net of related debt net position amount on the government-wide statement of net position consisted of the following items as of June 30, 2021.

		Governmental activities
Recorded value of capital assets	\$	15,138,612
Less accumulated depreciation		-7,499,848
Book value of capital assets		7,638,764
Less capital assets related debt		-
Total net investment in capital assets	\$	7,638,764

Town of Hampton, Connecticut
Notes to the basic financial statements
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Note 9 - Net position and fund balances - restricted

The Town has received a number of housing rehabilitation CDBG grants from the U.S. Department of Housing and Urban Development which are accounted for within the small cities program major fund. The purpose of these grants is to provide assistance to low to moderate income residents for addressing housing needs with a priority being placed on public health and safety code violations and to establish a permanent loan fund using the proceeds. Each resident receiving benefits under these grants is required to sign a deferred housing rehabilitation program property lien agreement. Should said property be mortgaged, sold, or beneficial interest or title be transferred, the balance of the principal due under the terms of the Assistance Agreement will be paid in full to the Town at the time of sale. The proceeds of any such sale being deposited into the aforementioned loan fund and permanently used by the Town for other similar programs as described in the approved program income reuse plan. Program income including interest income earned on repaid funds before the funds are reused must be deposited into this loan fund. The activity of this program is accounted for in two separate ways in that the revenue and expenditures relating to the actual CDBG grants is accounted for separately from the program income. Revenue is recorded within the program income fund on an annual basis in the amount of any new and completed property lien agreements. Expenditures within the program income fund include administrative and other miscellaneous items as well as the amounts of property lien agreements written off during the fiscal year. These written off lien agreements are shown as unclassified expenditures within the fund financial statements of the Town. The residual of this fund is accounted for as restricted net position and fund balance as the Town feels that the recorded revenue has been earned and is both measurable and available to pay all applicable current liabilities of the program fund. As of June 30, 2021, the following balances represent the loan fund described above.

Cash and restricted cash	\$ 315,566
Notes receivable (net of allowance)	2,682,998
Restricted net position and restricted fund balance	-2,998,564
	\$ -

Note 10 - Town employee benefit plans

The employees of the Town are covered under a Savings Incentive Match Plan for Employees Individual Retirement Account, more commonly known as a "SIMPLE IRA" plan. All employees who received at least \$5,000 in compensation during any preceding calendar years (whether or not consecutive) and who are reasonably expected to receive at least \$5,000 in compensation during the calendar year, are eligible to participate in the plan for the calendar year. The Town has chosen to exclude employees who are covered by collective bargaining agreements, if retirement benefits were the subject of good faith bargaining between the Town and the employee representatives. For each calendar year, the Town makes a matching contribution to each eligible employees SIMPLE IRA equal to the eligible employees salary reduction contributions up to 3% of the eligible employees compensation for the calendar year. During the current fiscal year, 9 employees were eligible for the plan and received matching contributions by the Town at some point during the fiscal year in the amount of \$8,363. The total payroll for all Town employees for the current fiscal year totaled approximately \$434,822 with the amount attributable to contributing eligible employees under the plan totaling approximately \$283,222.

Note 11 - On-behalf payments

The Town has recorded a revenue and expenditure for Connecticut State Teachers' Retirement Board Pension and OPEB Contributions made by the State of Connecticut on-behalf of the Hampton School Department teachers for the fiscal year ended June 30, 2021 in accordance with 10-183z of the Connecticut General Statutes which reflects public act 79-436 as amended. For the fiscal year ended June 30, 2021, the Town recognized pension revenue and expense of \$593,051 for on-behalf amounts for the benefits provided by the State of Connecticut and OPEB revenue and expense of \$28,524 for on-behalf amounts for the benefits provided by the State of Connecticut for a total of \$621,575. These on-behalf amounts were determined based on the most recent actuarial valuation as of June 30, 2020. These amounts were not budgeted for in the general fund and results in a difference in reporting on a budgetary basis of accounting versus reporting under GAAP. An intergovernmental revenue in the amount of \$621,575 and an education expenditure of \$621,575 have been included in the general fund on Statement D (GAAP basis) and have not been reported in the detail of Statement E (budgetary basis) of the fund financial statements. There is no effect on the fund balance at the end of the fiscal year. An operating grants and contributions revenue in the amount of \$621,575 and an expense in the governmental activities section under a separate education function line item of \$621,575 have been included on Statement B of the government-wide financial statements. There is no effect on the net position balance at the end of the fiscal year.

Town of Hampton, Connecticut
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Note 12 - Defined benefit pension plan

Connecticut Teachers' Retirement System

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

Benefits provided - 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. In relation to normal retirement, retirement benefits for 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). In addition, amounts derived from the accumulation of 6% contributions made prior to July 1, 1989 and voluntary contributions are payable. In relation to 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 as retirement precedes normal retirement date. In relation to disability retirement, employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for non-service 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.

In relation to minimum benefits, effective January 1, 1999, Public Act 98-251 provides a minimum monthly retirement benefit of \$1,200 to teachers who retire under the Normal Benefit provisions and who have completed at least 25 years of full time Connecticut service at retirement. In relation to prorated benefits, A plan member who leaves service and has attained 10 years of service will be entitled to 100% of the accrued benefit as of the date of termination of covered employment. Benefits are payable at age 60 and early retirement reductions are based on the number of years of service the member would have had if they had continued to work until age 60. In relation to pre-retirement death benefits, the plan also offers a lump sum return of contribution with interest or surviving spouse benefit depending on the length of service.

Contribution requirements - 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 approved, amended and certified by the State Teachers Retirement Board and appropriated by the General Assembly. The statutes require the State of Connecticut to contribute 100% of each school districts' required contributions, which are actuarially determined as an amount that, when combined with employee contributions, 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. School District employers are not required to make contributions to the plan. Effective July 1, 1992, each teacher is required to contribute 6% of salary for the pension benefit. Effective January 1, 2018, the required contribution increased to 7% of the pensionable salary.

Pension Liabilities, Pension Expense, 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. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. At June 30, 2021, the Town has no proportionate share of the net pension liability. For the year ended June 30, 2021, the Town recognized pension revenue and expense of \$593,051 for on-behalf amounts for the benefits provided by the State.

Town's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Town	4,140,109
Total	\$ 4,140,109

Town of Hampton, Connecticut
Notes to the basic financial statements
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Actuarial assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00% to 6.50%, including inflation
Investment rate of return	6.90%, net of pension plan investment expense, including inflation
Administrative expenses	\$0 assumption as expenses are paid for by the General Assembly
Mortality rates	Mortality rates were based on the PubT-2010 Healthy Retiree Table (adjusted 105% for males and 103% for females as ages 82 and above), projected generationally with MP-2019 for the period after service retirement

Future cost-of-living increases for teachers who retired prior to September 1, 1992, 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%.

Long-term rate of return - 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 current capital market assumptions and the target asset allocation as provided by the Treasurers office are summarized in the following table.

Asset class	Target allocation	Long-term expected real rate of return
Domestic equity fund	20.0%	5.6%
Developed market international stock fund	11.0%	6.0%
Emerging market international stock fund	9.0%	7.9%
Core fixed income fund	16.0%	2.1%
Inflation linked bond fund	5.0%	1.1%
Emerging market debt fund	5.0%	2.7%
High yield bond fund	6.0%	4.0%
Real estate fund	10.0%	4.5%
Private equity	10.0%	7.3%
Alternative instruments	7.0%	2.9%
Liquidity fund	1.0%	0.4%

Discount rate - The discount rate used to measure the total pension liability was 6.90%. 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 the State contributions will be made at the actuarially determined rates in future years. 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 Hampton, Connecticut
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Sensitivity of the Town's proportionate share of the net pension liabilities 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.

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial statements available at www.ct.gov.

Other Information - Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the Town has no obligation to contribute to the plan.

Note 13 - Other Post Employment Benefits - OPEB

Connecticut Teachers' Retirement System

Plan description - The faculty and professional personnel of the Town's Board of Education participates in the State of Connecticut's Teachers' Retirement System ("TRS"), which is a cost sharing multiple employer defined benefit pension plan that provides retirement, disability, survivorship and health insurance benefits to plan members and their beneficiaries. The TRS is governed by Connecticut General Statute ("CGS") *Title 10, Chapter 167a* and is administered by the Connecticut State Teachers' Retirement Board (the "Board"). The OPEB trust fund is included in the TRS, and the TRS is included in the State of Connecticut audit as a pension trust fund.

Benefits provided - The Plan covers retired teachers and administrators of public schools in the State who are receiving benefits from the Plan. The Plan provides healthcare insurance benefits to eligible retirees and their spouses. Any member that is currently receiving a retirement or disability benefit through the Plan is eligible to participate in the healthcare portion of the Plan. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the TRB Sponsored Medicare Supplemental Plans provide coverage for those participating in Medicare, but not receiving Subsidized Local School District Coverage.

Any member that is not currently participating in Medicare Parts A & B is eligible to continue health care coverage with their former employer. A subsidy of up to \$110 per month for a retired member plus an additional \$110 per month for a spouse enrolled in a local school district plan is provided to the school district to first offset the retiree's share of the cost of coverage, any remaining portion is used to offset the district's cost. The subsidy amount is set by statute, and has not increased since July of 1996. A subsidy amount of \$220 per month may be paid for a retired member, spouse or the surviving spouse of a member who has attained the normal retirement age to participate in Medicare, is not eligible for Part A of Medicare without cost, and contributes at least \$220 per month towards coverage under a local school district plan.

Any member that is currently participating in Medicare Parts A & B is eligible to either continue health care coverage with their former employer, if offered, or enroll in the plan sponsored by the System. If they elect to remain in the plan with their former employer, the same subsidies as above will be paid to offset the cost of coverage. If a member participating in Medicare Parts A & B so elects, they may enroll in one of the CTRB Sponsored Medicare Supplemental Plans. Active members, retirees, and the State pay equally toward the cost of the basic coverage (medical and prescription drug 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.

Contributions - Per CGS 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 TRB and appropriated by the General Assembly. The State pays for one third of plan costs through an annual appropriation in the General Fund. School district employers are not required to make contributions to the Plan. The cost of providing plan benefits is financed on a pay as you go basis as follows: active teachers' pay for one third of the Plan costs through a contribution of 1.25% of their pensionable salaries, and retired teachers pay for one third of the Plan costs through monthly premiums, which helps reduce the cost of health insurance for eligible retired members and dependents. Administrative costs of the Plan are to be paid by the General Assembly per Section 10-183r of the Connecticut General Statutes.

Town of Hampton, Connecticut
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OPEB liabilities, OPEB expense, deferred outflows of resources, and deferred inflows of resources related to OPEB - The Town reports no amounts for its proportionate share of the net OPEB 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 OPEB liability, the related state support, and the total portion of the net OPEB liability that was associated with the Town were as follows. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. At June 30, 2021, the Town has no proportionate share of the net OPEB liability. For the year ended June 30, 2021, the Town recognized OPEB revenue and expense of \$28,524 for on-behalf amounts for the benefits provided by the State.

Town's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the Town	617,497
Total	<u><u>\$ 617,497</u></u>

Actuarial assumptions and other inputs - The total OPEB liability was determined by an actuarial valuation as of June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement. The projected fiduciary net position is projected to be depleted in 2021.

Inflation	2.50%	
Real wage growth	0.75%	
Wage inflation	3.25%	
Salary increases	3.25% - 6.50%, including inflation	
Long-term investment rate of return	3.00%, net of OPEB plan investment expense, including inflation	
Discount rate	2.21% as of June 30, 2020 which is equal to the published Bond Buyer Go 20-Bond Municipal Index rate as of the measurement date	
Healthcare cost trend rates: Medicare	5.125% for 2020, decreasing to an ultimate rate of 4.75% by 2023	
Mortality rates	Mortality rates were based on the PubT-2010 Healthy Retiree Table (adjusted 105% for males and 103% for females as ages 82 and above), projected generationally with MP-2019 for the period after service retirement	

Long-term rate of return - The long-term expected rate of return on Plan assets is reviewed as part of the GASB 75 valuation process. Several factors are considered in the evaluation of the long-term rate of return assumption, including the Plan's current asset allocations and a log-normal distribution analysis using the best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) for each major asset class. The long-term expected rate of return was determined by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Expected 10-Year geometric real rate of return	Standard deviation
U.S. Treasuries (cash equivalents)	100.0%	-0.42%	1.78%
Price inflation		2.50%	
Expected rate of return (rounded nearest 0.25%)		2.00%	

Town of Hampton, Connecticut
Notes to the basic financial statements
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Discount rate - The discount rate used to measure the total OPEB liability was 2.21%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection was based on an actuarial valuation performed as of June 30, 2020. In addition to the actuarial methods and assumptions of the June 30, 2020 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annual at a rate of 3.00%.
- Employee contributions were assumed to be made at the current member contribution rate.
- Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Annual State contributions were assumed to be equal to the most recent five-year average of state contributions toward the fund.

Based on those assumptions, the Plan's fiduciary net position was projected to be depleted in 2021 and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent rate.

Sensitivity of the Town's proportionate share of the net OPEB liability to changes in the discount rate and changes in the healthcare cost trend rates - The Town's proportionate share of the net OPEB liability is \$0 and, therefore, the change in the discount rate and the healthcare cost trend rates would only impact the amount recorded by the State of Connecticut.

Pension Plan Fiduciary Net Position and other information - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial statements available at www.ct.gov.

Other Information - Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the Town has no obligation to contribute to the plan.

Note 14 - Other Post Employment Benefits - OPEB

Post-Retirement Healthcare Plan

Plan description - The Board of Education of the Town provides a single employer defined benefit healthcare plan (the "Plan") to its employees upon retirement in the form of the ability to be part of the health insurance plan while paying the full amount of the premium charged for active employees and receiving no physical subsidy from the Town. As a result, the Town does not have an explicit liability for these post-employment benefits because retirees pay the full health insurance premium. However, the Town does have an implicit rate subsidy that recognizes the expected higher health costs attributed to retirees. The provisions of the Plan were established by the Board of Education along with the respective bargaining units of each group in conjunction with all applicable state statutes. The Plan therefore would be amended through the action of these same groups. These benefits will continue for the life of the retiree and the retiree's spouse once they are a part of the Plan. The Plan does not issue a publicly available financial report and is not included in the financial statements of another entity.

Benefits provided - The OPEB Plan provides a benefit for retired teachers and administrators. Non-certified Board employees are eligible to participate in the Plan upon reaching age 55 with at least 5 years of service or upon 25 years of service. Both the retiree and the retiree's spouse are eligible to participate in the Plan and they must pay 100% of the cost for medical coverage. A number of different plan coverages are available. Certified Board employees are eligible to participate in the Plan upon reaching age 50 with at least 25 years of service, age 55 with at least 20 years of service or age 60 with at least 10 years of service. Both the retiree and the retiree's spouse are eligible to participate in the Plan and they must pay 100% of the cost for medical coverage. A number of different plan coverages are available. Surviving spouses are permitted to continue coverage after the death of the retiree, but are responsible for continuing to pay the same monthly premium amount or percentage that was being paid while the retiree was alive. The funding and payment for these postemployment benefits are accounted for within the Board of Education budget within the general fund of the Town on a pay-as-you-go basis.

Town of Hampton, Connecticut
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Employees covered by benefit terms - The following employees were covered by the benefit terms of the Plan as of June 30, 2020, the date of the last actuarial valuation.

	Participant count
Active plan members	12
Inactive plan members or beneficiaries currently receiving benefits	1
Inactive plan members entitled to but not yet receiving benefits	0
	13

Total OPEB liability - The Town's total OPEB liability was \$550,441 as of June 30, 2021. The June 30, 2020 actuarial valuation directly calculated the June 30, 2020 liability. The June 30, 2020 liability was increased by service cost and interest and decreased by benefit payments to estimate the total OPEB liability as of June 30, 2021. The liability as of June 30, 2021 was also adjusted to reflect any material plan changes after the valuation, if applicable.

Actuarial assumptions and other inputs - The total OPEB liability as of June 30, 2021 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Actuarial valuation date	June 30, 2020 as adjusted for June 30, 2021 reporting
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Amortization period	20 years on an open basis, as a level dollar amount
Asset valuation method	Not applicable as this is an unfunded plan
Actuarial assumptions	
Participation percentage	7.60%
Discount rate	2.16% as of June 30, 2020 which is equal to the published Bond Buyer Go 20-Bond Municipal Index effective as of June 30, 2021
Rate of compensation increase	3.11%
Mortality rates	Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years

Changes in the total OPEB liability - The changes in the total OPEB liability of the Plan are made up of the following items as of June 30, 2021:

	Total OPEB liability
Balance as of June 30, 2020	\$ 565,353
Changes for the year:	
Service cost	7,816
Interest	12,667
Effect of economic/demographic gains or losses	-39,149
Changes of benefit terms	-
Changes of assumptions	3,754
Benefit payments	-
Net changes	-14,912
Balance as of June 30, 2021	\$ 550,441

Town of Hampton, Connecticut
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Sensitivity of the total OPEB liability to changes in the discount rate - The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.21%) or 1 percentage point higher (3.21%) than the current discount rate:

	1% Decrease (1.16%)	Current discount rate (2.16%)	1% Increase (3.16%)
Total OPEB liability	\$ 633,255	\$ 550,441	\$ 481,445
Change from baseline	\$ 82,814	-	\$ -68,996

The following table represents the healthcare cost trend rates used in determining the total OPEB liability as of June 30, 2021, applied to all period included in the measurement date, unless otherwise noted. The affordable care act excise tax on high-value health insurance plans will impact the plan. Given the uncertainty regarding the affordable care acts implementation, continued monitoring of the affordable care acts impact on the Plan's liability will be required.

	Medical	Pharmacy	Dental	Vision
Year 1	4.90%	5.90%	3.50%	3.00%
Year 2	4.80%	4.80%	3.50%	3.00%
Year 3	4.70%	4.70%	3.00%	3.00%
Year 4	4.70%	4.70%	3.00%	3.00%
Year 5	4.60%	4.60%	3.00%	3.00%
Year 6	4.50%	4.50%	3.00%	3.00%
Year 7	4.40%	4.40%	3.00%	3.00%
Year 8	4.30%	4.30%	3.00%	3.00%
Year 9	4.30%	4.30%	3.00%	3.00%
Year 10 +	4.30%	4.30%	3.00%	3.00%

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates - The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Current trend rates	1% Increase
Total OPEB liability	\$ 473,376	\$ 550,441	\$ 643,107
Change from baseline	\$ -77,065	-	\$ 92,666

Note 15 - Risk management, commitments and contingencies

The Town is at risk of loss due to items such as lawsuits, automobile claims, and theft. The Town has purchased commercial insurance coverage for any of these types of loss which may occur. The Town believes the amounts of coverage in force are adequate and in compliance with all applicable laws, rules, and regulations. The Town is a member in the Connecticut Inter-local Risk Management Agency (CIRMA), a public entity risk management program pursuant to the provisions of Section 7-479a of the Connecticut General Statutes for workers compensation pool coverage. The Town pays annual premiums for its coverage. CIRMA is designed to be self-sustaining through member premium's, however it does reinsure for each claim occurrence in excess of \$1,000,000. Members may be subject to supplemental assessments in the event of fund deficiencies, however, these potential supplemental assessments are limited pursuant to its by-laws. The Town has not had any significant reductions in insurance coverage from the prior fiscal year by major category of risk. The amount of settlements have not exceeded insurance coverage during any of the previous three fiscal years. Town management and legal counsel are unaware of any litigation, pending litigation, claims or disputes that would have a direct and material affect on the Town's financial position.

Town of Hampton, Connecticut
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The Town and Board of Education lease a number of photocopiers under lease agreements which are classified as operating leases. For these leases to be classified as capital leases they must meet at least one of the following four criteria: 1) The lease passes title to the lessee by the end of the lease term, 2) the lease contains a bargain purchase option, 3) the lease term is at least 75% of the property's estimated economic life, or 4) the present value of the minimum lease payments is at least 90% of the property's fair value. According to the terms of the lease agreements, the first and second criteria are not met. For criteria three and four, the estimate is that at the end of the lease term the copiers will be refurbished by the lessor and leased in another capacity and payment amount to another lessee. The first lease agreement is for the town and is for two photocopiers for a period of forty-eight months through November of 2024. The monthly payment under this lease agreement is \$389 which equals annual payments of \$4,668. The second lease agreement is for the Board of Education and is for two photocopiers for a period of forty-eight months through January of 2024. The monthly payment under this lease agreement is \$537 which equals annual payments of \$6,444. The Town and the Board of Education have a number of other immaterial operating type lease agreements which have not been included.

The Board of Education has entered into a number of maintenance and service agreements prior to the end of the current fiscal year which extend beyond the end of the current fiscal year. The Board of Education entered into a bus transportation agreement for the purpose of providing transportation services for the school children of the Town of Hampton in compliance with local policies and legal requirements. This agreement runs from July 1, 2019 through June 30, 2024, unless extended by mutual agreement. Payment terms are based on specific daily and hourly rates for regular route hours and trips and non-route hours and trips per bus. The per day vehicle prices included in the contract from year one through year five for regular route hours and trips are \$300, \$300, \$300, \$320 and \$325 respectively. The per hour vehicle prices included in the contract from year one through year five for non-route hours and trips are \$60, \$60, \$60, \$62 and \$64 respectively. The Board of Education entered into an agreement with a contractor to provide a high quality food services program. The agreement runs from July 1, 2017 through June 30, 2022 with annual implementation fees due to the contractor of \$21,000, \$21,500, \$22,000, \$22,500 and \$23,000 respectively. The Board of Education entered into a printer maintenance agreement which runs from May 23, 2019 through May 23, 2022 at a monthly cost of \$204 which equals annual payments of \$2,448. The Board of Education entered into a one year HVAC services agreement through June 30, 2022 at a cost of \$9,753. The Board of Education entered into a one year agreement through June 30, 2022 to purchase heating oil at agreed upon per gallon rates, excluding applicable taxes, for a specified minimum number of gallons. The heating fuel will be purchased at a rate of \$1.8076 for a contract allocation of 5,000 gallons or \$9,038. If the gallons purchased exceed 100% of the gallons allocated or are less than 98% of the gallons allocated, the contract provides options for the vendor for either selling additional gallons or billing the school for the unused and un-lifted volume. The Board of Education also entered into a one year refuse and recycling services contract through June 30, 2022 with monthly fees of \$450 and \$55 respectively for an annual cost of \$6,060.

The Town has entered into a number of maintenance and service agreements prior to the end of the current fiscal year which extend beyond the end of the current fiscal year. The Towns of Hampton and Scotland currently have a cooperative agreement in place to operate the Hampton/Scotland transfer station in order to dispose of both the recyclable waste and the municipal solid waste of both towns. The transfer station and related operations are funded by the two towns based on a per capita ratio. The per capita ratio for the fiscal year ended June 30, 2021 was 52% for the Town of Hampton and 48% for the Town of Scotland. This per capita ratio is applied to the actual costs of running the transfer station which are accounted for by the Town of Hampton and then billed to the Town of Scotland. In addition, the per capita ratio is applied to the waste disposal costs, the waste and recycling transportation costs and the recycling center lease costs. The Town's currently have a recycling transportation agreement with a contractor which is for a two year period and runs from July 1, 2019 through June 30, 2021 which has been extended though no formal agreement has yet been completed. Under the agreement, the recyclable waste generated by the two towns will be transported as directed by the two towns at a cost of \$30 per container for on-site moves, \$139 per trip for transportation of the recyclable waste within a 20 mile radius of the Town of Hampton and \$175 per trip for transportation of the recyclable waste outside of a 20 mile radius of the Town of Hampton. The agreement also contains an escalation clause relating to pricing adjustments in the form of a fuel surcharge in the event that fuel prices exceed \$4.50 per gallon and will relate only to the recapture of excess fuel costs. The current fiscal year charges under this agreement for the Town totaled \$23,062. The Town's currently have a lease agreement in place for the lease of property relating to the transfer station and recycling center. The lease agreement is for a ten year period and runs from July 1, 2014 through June 30, 2023. The first year contract amount was \$26,816 which was due in four quarterly installments of \$6,704. These quarterly installments are paid by each individual town based on the aforementioned per capita ratios. The following nine years of the contract is adjusted annually and will include an increase based on the annual inflation rate index from the previous year plus one point five percent. The annual lease paid during the fiscal year ended June 30, 2021 was \$32,354 of which the Town was responsible for 52% or \$16,824. The Town has entered into a three year tax collection services contract with the Town of Windham, Connecticut through June 30, 2022 at annual costs of \$16,800, \$17,136 and \$17,479 respectively. The Town has entered into a one year emergency ambulance services contract along with two other municipalities through June 30, 2022 at a cost of \$53,600 per municipality. The town clerks office entered into a five year hosted services contract through May 22, 2025 with monthly payments of \$665 at an annual cost of \$7,980 with additional services included in the contract at specific per unit prices.

Town of Hampton, Connecticut
Notes to the basic financial statements
June 30, 2021

The Town participates in numerous Federal and State grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, refunds of any monies received as of and through June 30, 2021 may be impaired. In the opinion of the management of the Town, there are no unrecorded significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants, therefore, no provision has been recorded in the accompanying basic financial statements for such possible contingencies. In addition, the Town occasionally books unbilled accounts receivable representing earned or recognized grant or contract dollars which have not yet been billed or received. Any subsequent modification or amendments to these grants or contracts could result in a loss to the Town. However, in the opinion of the management of the Town there are no unrecorded significant contingent liabilities in regard to these unbilled accounts receivable.

The Town is contingently liable for its proportionate share of any defaulted debt by entities of which it is a member. The Town is currently a member of the Connecticut Regional School District # 11 and would therefore be contingently liable for any outstanding debt of the District. The Town's portion of this debt would be based on the percentage of the Town's annual assessment to the total annual assessment of the District to the member towns. As of June 30, 2021, the District has reported to the Town that there was no outstanding debt for the District for which the Town would be contingently liable.

Note 16 - Recently issued accounting standards not yet effective

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for fiscal years beginning after June 15, 2021 which is the Town's fiscal year beginning July 1, 2021. The Town has not yet determined the impact that this statement might have on its financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this statement are effective for reporting periods beginning after December 15, 2020 which is the Town's fiscal year beginning July 1, 2021. The Town does not expect this statement to have a material effect on its financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2021 which is the Town's fiscal year beginning July 1, 2022. The Town does not expect this statement to have a material effect on its financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics each with a slightly different effective date wording. In general, the requirements of this statement are effective for reporting periods beginning after June 15, 2021 which is the Town's fiscal year beginning July 1, 2021. The Town does not expect this statement to have a material effect on its financial statements.

Town of Hampton, Connecticut
Notes to the basic financial statements
June 30, 2021

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR) — most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021 which is the Town's fiscal year beginning July 1, 2021. The Town does not expect this statement to have a material effect on its financial statements.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this statement are effective for fiscal years beginning after June 15, 2022 which is the Town's fiscal year beginning July 1, 2022. The Town does not expect this statement to have a material effect on its financial statements.

In May 2020, the GASB issued Statement 96, *Subscription Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription based information technology arrangements (SBITAs) for government end users (governments). The requirements of this statement are effective for fiscal years beginning after June 15, 2022 which is the Town's fiscal year beginning July 1, 2022. The Town does not expect this statement to have a material effect on its financial statements.

In June 2020, the GASB issued Statement 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. An Amendment of GASB Statement No. 14 and No. 84, and a Supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this statement are effective for fiscal years beginning after June 15, 2021 which is the Town's fiscal year beginning July 1, 2021. The Town does not expect this statement to have a material effect on its financial statements.

Note 17 - Restatement

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2020.

GASB Statement No. 84 identifies four specific categories of fiduciary activities. Fiduciary activities can be classified as pension or other employee benefit trust funds, investment trust funds, private purpose trust funds and custodial funds. In addition, pension or other employee benefit trust arrangements would be further identified as either a fiduciary component unit or non-component unit arrangement which would further differentiate how the fiduciary activities would be reported.

Prior to this implementation of GASB Statement No. 84, the town had identified and reported two private purpose trust arrangements and an agency fund arrangement as fiduciary activities. The private purpose trust arrangements related to the Volunteer Fire Department Trust and the Ambulance Trust which represented funds that had been given to the Town to be used as outlined in the specific arrangement documents. The agency fund arrangement related to the student activity funds located at the Board of Education.

Town of Hampton, Connecticut
Notes to the basic financial statements
June 30, 2021

GASB Statement No. 84 states that private-purpose trust funds are used to report all fiduciary activities that (a) are not required to be reported in pension (and other employee benefit) trust funds or investment trust funds and (b) are held in a trust that meets specific criteria. The Town has evaluated the criteria set forth in paragraphs 17 and 11c of the statement and has determined that the specific details of these two trust arrangements do not meet this criteria and therefore would no longer be reported as private purpose fiduciary trust funds. The Town has reclassified these two trust arrangements as non-major special revenue governmental funds resulting in the following restatements as of July 1, 2020.

	Governmental activities	Governmental funds
Net position/Fund balance - July 1, as originally reported	\$ 12,011,342	\$ 83,674
Volunteer Fire Department Trust now reported as a special revenue fund	25,289	25,289
Ambulance Trust now reported as a special revenue fund	25,289	25,289
Net position/Fund balance - July 1, as Restated	\$ 12,061,920	\$ 134,252

GASB Statement No. 84 states that custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. The Town has evaluated the criteria set forth in paragraph 11 of the statement and has determined that the student activity funds located at the Board of Education do meet the criteria to be considered a fiduciary activity and therefore in accordance with the statement would be classified as a custodial fund.

Note 18 - Subsequent events

The Town has evaluated subsequent events through January 18, 2022, the date to which the financial statements were available to be issued. Subsequent to the end of the current fiscal year, the Town has been named as a defendant in litigation relating to an assessment made by the Town on certain personal property that is claimed to be exempt by the plaintiff. Per the tax records of the town, the tax obligation relating to the assessment on this personal property is \$320,931. This assessment amount would be at risk if the result of the litigation found that the personal property was exempt. This case is in the early stages of litigation and the Town does intend to vigorously contest the case.

Town of Hampton, Connecticut
 Schedule of Town's proportionate share of the net pension liability
 Connecticut Teachers' Retirement System
 Last ten fiscal years (for all years available)

	2021	2020	2019	2018	2017	2016	2015
Town's proportion of the net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Town	4,140,109	4,502,740	3,471,874	2,956,599	3,119,234	2,780,460	2,569,978
Total	\$ 4,140,109	\$ 4,502,740	\$ 3,471,874	\$ 2,956,599	\$ 3,119,234	\$ 2,780,460	\$ 2,569,978
Town's covered-employee payroll	\$ 956,241	\$ 1,157,772	\$ 1,139,772	\$ 937,137	\$ 903,264	\$ 1,033,510	\$ 996,158
Town's proportion share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	49.24%	52.00%	57.69%	55.93%	52.26%	59.50%	61.51%

Notes to schedule:Changes in benefit terms and assumptions:

There were no changes to benefit terms. Based on an experience study for the five year period ending June 30, 2019, the annual rate of real wage increase assumption decreased from .75% to .50%, the payroll growth assumption decreased from 3.25% to 3.00% and Rates of withdrawal, disability, retirement, mortality, and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The following actuarial methods and assumptions were used to determine the most recent reported contributions:

Inflation	2.50%
Salary increases	3.00% to 6.50%, including inflation
Investment rate of return	6.90%, net of pension plan investment expense, including inflation
Administrative expenses	\$0 assumption as expenses are paid for by the General Assembly
Mortality rates	Mortality rates were based on the PubT-2010 Healthy Retiree Table (adjusted 105% for males and 103% for females as ages 82 and above), projected generationally with MP-2019 for the period after service retirement

Town of Hampton, Connecticut
 Schedule of Town's proportionate share of the net OPEB liability
 Connecticut Teachers' Retirement System
 Last ten fiscal years (for all years available)

	2021	2020	2019	2018
Town's proportion of the net OPEB liability	0.00%	0.00%	0.00%	0.00%
Town's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the Town	617,497	702,228	694,071	760,996
Total	\$ 617,497	\$ 702,228	\$ 694,071	\$ 760,996
Town's covered-employee payroll	\$ 956,241	\$ 1,157,721	\$ 1,139,772	\$ 937,137
Town's proportion share of the net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	2.50%	2.08%	1.49%	1.79%

Notes to schedule:Changes in benefit terms and assumptions:

There were no changes in benefit terms. Based on an experience study for the five year period ending June 30, 2019, the annual rate of real wage increase assumption decreased from .75% to .50%, the payroll growth assumption decreased from 3.25% to 3.00% and Rates of withdrawal, disability, retirement, mortality, and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

Methods and assumptions used in calculations of actuarial determined contributions:

The total OPEB liability was determined by an actuarial valuation as of June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement. The projected fiduciary net position is projected to be depleted in 2021.

Inflation	2.50%
Real wage growth	0.50%
Wage inflation	3.00%
Salary increases	3.00% - 6.50%, including inflation
Long-term investment rate of return	3.00%, net of OPEB plan investment expense, including inflation
Discount rate	2.21% as of June 30, 2020 which is equal to the published Bond Buyer Go 20-Bond Municipal Index rate as of the measurement date
Healthcare cost trend rates: Medicare	5.125% for 2020, decreasing to an ultimate rate of 4.50% by 2023
Mortality rates:	Mortality rates were based on the PubT-2010 Healthy Retiree Table (adjusted 105% for males and 103% for females as ages 82 and above), projected generationally with MP-2019 for the period after service retirement

Town of Hampton, Connecticut
Schedule of changes in total OPEB liability
Post-Retirement Healthcare Plan
Last ten fiscal years (for all years available)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability				
Service cost	\$ 7,816	\$ 3,081	\$ 1,335	\$ 2,926
Interest	12,667	13,299	14,353	16,534
Effect of economic/ demographic gains or losses	-39,149	80,005	-25,474	-66,453
Changes of benefit terms	-	-	-	-
Changes of assumptions	3,754	92,069	17,147	6,097
Benefit payments	-	-	-	-
Net change in total OPEB liability	-14,912	188,454	7,361	-40,896
Total OPEB liability - beginning	<u>565,353</u>	<u>376,899</u>	<u>369,538</u>	<u>410,434</u>
Total OPEB liability - ending	<u>\$ 550,441</u>	<u>\$ 565,353</u>	<u>\$ 376,899</u>	<u>\$ 369,538</u>

Town of Hampton, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major governmental funds
As of and for the year ended June 30, 2021

	Non-major special funds	Non-major permanent funds	Totals
Assets			
Cash	\$ 65,585	\$ 6,087	\$ 71,672
Investments	25,286	4,676	29,962
Accounts receivable	811	-	811
Prepaid items	-	-	-
Due from other funds	313,843	-	313,843
Total assets	<u>405,525</u>	<u>10,763</u>	<u>416,288</u>
Liabilities			
Accounts payable	1,461	-	1,461
Accrued payroll	9,803	-	9,803
Due to other funds	-	-	-
Total liabilities	<u>11,264</u>	<u>-</u>	<u>11,264</u>
Fund balance			
Nonspendable	25,000	6,623	31,623
Restricted	345,782	4,140	349,922
Committed	-	-	-
Assigned	23,479	-	23,479
Unassigned	-	-	-
Total fund balance	<u>394,261</u>	<u>10,763</u>	<u>405,024</u>
Total liabilities and fund balance	<u>\$ 405,525</u>	<u>\$ 10,763</u>	<u>\$ 416,288</u>
Revenues			
Intergovernmental revenues	\$ 527,880	\$ -	\$ 527,880
Charges for services	14,670	-	14,670
Interest income	298	53	351
Miscellaneous	1,500	-	1,500
Total revenues	<u>544,348</u>	<u>53</u>	<u>544,401</u>
Expenditures			
Salary and wages	143,778	-	143,778
Program operating costs	149,148	53	149,201
Capital expenditures	-	-	-
Total expenditures	<u>292,926</u>	<u>53</u>	<u>292,979</u>
Excess (deficiency) of revenues over (under) expenditures	<u>251,422</u>	<u>-</u>	<u>251,422</u>
Other financing sources (uses)			
Transfers in	19,350	-	19,350
Transfers out	-	-	-
Total other financing sources (uses)	<u>19,350</u>	<u>-</u>	<u>19,350</u>
Net change in fund balance	270,772	-	270,772
Fund balance - July 1, as Restated	<u>123,489</u>	<u>10,763</u>	<u>134,252</u>
Fund balance - June 30	<u>\$ 394,261</u>	<u>\$ 10,763</u>	<u>\$ 405,024</u>

Town of Hampton, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2021

	School lunch program	Help America vote act grants	Town COVID-19 relief fund grant	Affordable housing plan grant	American rescue plan act grant
Assets					
Cash	\$ 11,700	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Prepaid items	-	-	-	-	-
Due from other funds	-	-	-	1,176	272,571
Total assets	11,700	-	-	1,176	272,571
Liabilities					
Accounts payable	280	-	-	1,176	-
Accrued payroll	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	280	-	-	1,176	-
Fund balance					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	272,571
Committed	-	-	-	-	-
Assigned	11,420	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balance	11,420	-	-	-	272,571
Total liabilities and fund balance	\$ 11,700	\$ -	\$ -	\$ 1,176	\$ 272,571
Revenues					
Intergovernmental revenues	\$ -	\$ 5,299	\$ 5,886	\$ 15,000	\$ 272,571
Charges for services	-	-	-	-	-
Interest income	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	-	5,299	5,886	15,000	272,571
Expenditures					
Salary and wages	-	3,600	2,155	-	-
Program operating costs	24,792	1,699	3,731	15,000	-
Capital expenditures	-	-	-	-	-
Total expenditures	24,792	5,299	5,886	15,000	-
Excess (deficiency) of revenues over (under) expenditures	-24,792	-	-	-	272,571
Other financing sources (uses)					
Transfers in	15,450	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	15,450	-	-	-	-
Net change in fund balance	-9,342	-	-	-	272,571
Fund balance - July 1	20,762	-	-	-	-
Fund balance - June 30	\$ 11,420	\$ -	\$ -	\$ -	\$ 272,571

Town of Hampton, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2021

	Emergency management grant	Historic document preservation	Town clerk discretionary fund	Fuel donations fund	Recreation activities fund
Assets					
Cash	\$ -	\$ 34	\$ 87	\$ -	\$ 11,359
Investments	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Prepaid items	-	-	-	-	-
Due from other funds	3,186	3,319	287	7,763	-
Total assets	<u>3,186</u>	<u>3,353</u>	<u>374</u>	<u>7,763</u>	<u>11,359</u>
Liabilities					
Accounts payable	-	-	-	-	-
Accrued payroll	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance					
Nonspendable	-	-	-	-	-
Restricted	3,186	3,353	374	7,763	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	11,359
Unassigned	-	-	-	-	-
Total fund balance	<u>3,186</u>	<u>3,353</u>	<u>374</u>	<u>7,763</u>	<u>11,359</u>
Total liabilities and fund balance	<u>\$ 3,186</u>	<u>\$ 3,353</u>	<u>\$ 374</u>	<u>\$ 7,763</u>	<u>\$ 11,359</u>
Revenues					
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	494	1,037	-	-
Interest income	-	-	-	-	-
Miscellaneous	-	-	-	500	-
Total revenues	<u>-</u>	<u>494</u>	<u>1,037</u>	<u>500</u>	<u>-</u>
Expenditures					
Salary and wages	-	-	3,070	-	-
Program operating costs	-	-	-	600	1,101
Capital expenditures	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>3,070</u>	<u>600</u>	<u>1,101</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>494</u>	<u>-2,033</u>	<u>-100</u>	<u>-1,101</u>
Other financing sources (uses)					
Transfers in	-	-	-	-	3,900
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,900</u>
Net change in fund balance	-	494	-2,033	-100	2,799
Fund balance - July 1	<u>3,186</u>	<u>2,859</u>	<u>2,407</u>	<u>7,863</u>	<u>8,560</u>
Fund balance - June 30	<u>\$ 3,186</u>	<u>\$ 3,353</u>	<u>\$ 374</u>	<u>\$ 7,763</u>	<u>\$ 11,359</u>

Town of Hampton, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2021

	Volunteer fire company trust	Ambulance corp trust	School readiness fund	Elementary education grants	Totals
Assets					
Cash	\$ -	\$ -	\$ 7,443	\$ 34,961	\$ 65,585
Investments	25,286	-	-	-	25,286
Accounts receivable	-	-	-	811	811
Prepaid items	-	-	-	-	-
Due from other funds	-	-	3,059	22,482	313,843
Total assets	<u>25,286</u>	<u>-</u>	<u>10,502</u>	<u>58,254</u>	<u>405,525</u>
Liabilities					
Accounts payable	-	-	-	5	1,461
Accrued payroll	-	-	9,803	-	9,803
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>9,803</u>	<u>5</u>	<u>11,264</u>
Fund balance					
Nonspendable	25,000	-	-	-	25,000
Restricted	286	-	-	58,249	345,782
Committed	-	-	-	-	-
Assigned	-	-	699	-	23,479
Unassigned	-	-	-	-	-
Total fund balance	<u>25,286</u>	<u>-</u>	<u>699</u>	<u>58,249</u>	<u>394,261</u>
Total liabilities and fund balance	<u>\$ 25,286</u>	<u>\$ -</u>	<u>\$ 10,502</u>	<u>\$ 58,254</u>	<u>\$ 405,525</u>
Revenues					
Intergovernmental revenues	\$ -	\$ -	\$ 104,681	\$ 124,443	\$ 527,880
Charges for services	-	-	13,139	-	14,670
Interest income	286	12	-	-	298
Miscellaneous	-	-	-	1,000	1,500
Total revenues	<u>286</u>	<u>12</u>	<u>117,820</u>	<u>125,443</u>	<u>544,348</u>
Expenditures					
Salary and wages	-	-	106,430	28,523	143,778
Program operating costs	289	25,301	10,691	65,945	149,148
Capital expenditures	-	-	-	-	-
Total expenditures	<u>289</u>	<u>25,301</u>	<u>117,121</u>	<u>94,468</u>	<u>292,926</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-3</u>	<u>-25,289</u>	<u>699</u>	<u>30,975</u>	<u>251,422</u>
Other financing sources (uses)					
Transfers in	-	-	-	-	19,350
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,350</u>
Net change in fund balance	-3	-25,289	699	30,975	270,772
Fund balance - July 1	<u>25,289</u>	<u>25,289</u>	<u>-</u>	<u>27,274</u>	<u>123,489</u>
Fund balance - June 30	<u>\$ 25,286</u>	<u>\$ -</u>	<u>\$ 699</u>	<u>\$ 58,249</u>	<u>\$ 394,261</u>

Town of Hampton, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major permanent funds
As of and for the year ended June 30, 2021

	Library trust fund	Cemetery trust fund	Dupuis memorial fund	Totals
Assets				
Cash	\$ -	\$ -	\$ 6,087	\$ 6,087
Investments	3,319	1,357	-	4,676
Accounts receivable	-	-	-	-
Prepaid items	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>3,319</u>	<u>1,357</u>	<u>6,087</u>	<u>10,763</u>
Liabilities				
Accounts payable	-	-	-	-
Accrued payroll	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance				
Nonspendable	3,281	1,342	2,000	6,623
Restricted	38	15	4,087	4,140
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balance	<u>3,319</u>	<u>1,357</u>	<u>6,087</u>	<u>10,763</u>
Total liabilities and fund balance	<u>\$ 3,319</u>	<u>\$ 1,357</u>	<u>\$ 6,087</u>	<u>\$ 10,763</u>
Revenues				
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Interest income	38	15	-	53
Miscellaneous	-	-	-	-
Total revenues	<u>38</u>	<u>15</u>	<u>-</u>	<u>53</u>
Expenditures				
Salary and wages	-	-	-	-
Program operating costs	38	15	-	53
Capital expenditures	-	-	-	-
Total expenditures	<u>38</u>	<u>15</u>	<u>-</u>	<u>53</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance - July 1	<u>3,319</u>	<u>1,357</u>	<u>6,087</u>	<u>10,763</u>
Fund balance - June 30	<u>\$ 3,319</u>	<u>\$ 1,357</u>	<u>\$ 6,087</u>	<u>\$ 10,763</u>

Town of Hampton, Connecticut
Combining Statement of revenues, expenditures, and changes
in fund balances - Capital non-recurring fund
As of and for the year ended June 30, 2021

	Fund balance 07/01/20	Annual appropriation & transfers	Revenues	Expenditures	Fund balance 06/30/21
General government:					
Capital building maintenance	\$ 8,696	\$ -	\$ 500	\$ -5,097	\$ 4,099
Grange building maintenance	2,052	-	-	-	2,052
Town hall reserve fund	22,283	-	-	-22,273	10
Revaluation fund	6,911	5,752	-	-7,885	4,778
Open space fund	91,876	-	1,161	-	93,037
Land acquisition fund	5	10,000	-	-	10,005
	<u>131,823</u>	<u>15,752</u>	<u>1,661</u>	<u>-35,255</u>	<u>113,981</u>
Public safety:					
Fire truck reserve	123,144	-	-	-83,010	40,134
Ambulance reserve	72,000	-72,000	-	-	-
	<u>195,144</u>	<u>-72,000</u>	<u>-</u>	<u>-83,010</u>	<u>40,134</u>
Public works:					
General trucks and equipment	4,662	107,231	-	-111,239	654
Health and welfare:					
Green energy efficiency	480	-	-	-	480
Education:					
School capital fund	40,220	20,000	-	-	60,220
School reserve fund	143,805	-	-	-	143,805
	<u>184,025</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>204,025</u>
Unclassified					
Uncommitted fund balance	25,006	-25,000	414	-	420
Totals:	<u>\$ 541,140</u>	<u>\$ 45,983</u>	<u>\$ 2,075</u>	<u>\$ -229,504</u>	<u>\$ 359,694</u>

Town of Hampton, Connecticut
 Schedule of debt limitation
 Connecticut General Statutes, Section 7-374 (b)
 For the year ended June 30, 2021

Total tax collections (including interest and lien fees) for the current fiscal year.	\$ 3,974,688
Total tax collections (including interest and lien fees) of city, borough and all other taxing districts within the Town for the current fiscal year.	-
Reimbursement for revenue loss on: Tax relief for the elderly - (CGS 12-129d)	-
Total base	<u>\$ 3,974,688</u>

Debt limitation:	General purposes	Schools	Sewers	Urban renewal	Pension deficit	Total Debt
2 1/4 times base	\$ 8,943,048	\$ -	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	17,886,096	-	-	-	-
3 3/4 times base	-	-	14,905,080	-	-	-
3 1/4 times base	-	-	-	12,917,736	-	-
3 times base	-	-	-	-	11,924,064	-
7 times base	-	-	-	-	-	27,822,816
Total debt limitation	8,943,048	17,886,096	14,905,080	12,917,736	11,924,064	27,822,816
 Indebtedness:						
General obligation bonds	-	-	-	-	-	-
Notes payable	-	-	-	-	-	-
Capital leases payable	-	-	-	-	-	-
Town proportionate share of Regional School District No. 11 outstanding debt	-	-	-	-	-	-
Authorized but unissued debt	-	-	-	-	-	-
Total indebtedness	-	-	-	-	-	-
Debt limitation in excess of outstanding an authorized debt	<u>\$ 8,943,048</u>	<u>\$ 17,886,096</u>	<u>\$ 14,905,080</u>	<u>\$ 12,917,736</u>	<u>\$ 11,924,064</u>	<u>\$ 27,822,816</u>

Town of Hampton, Connecticut
 Schedule of property taxes levied,
 collections, and outstanding balances
 For the year ended June 30, 2021

Grand list	Uncollected taxes 06/30/20	Current year taxes levied	Lawful corrections		Net taxes collectable
			Additions	Deductions	
2019	\$ -	\$ 3,836,319	\$ 3,464	\$ -14,696	\$ 3,825,087
2018	82,057	-	-	-408	81,649
2017	38,081	-	-	-	38,081
2016	29,035	-	-	-	29,035
2015	19,760	-	-	-	19,760
2014	8,842	-	-	-	8,842
2013	632	-	-	-	632
2012	642	-	-	-5	637
2011	657	-	-	-	657
2010	367	-	-	-	367
2009	372	-	-	-	372
2008	244	-	-	-	244
2007	1,146	-	-	-	1,146
2006	1,103	-	-	-	1,103
2005	555	-	-	-	555
	<u>\$ 183,493</u>	<u>\$ 3,836,319</u>	<u>\$ 3,464</u>	<u>\$ -15,109</u>	<u>\$ 4,008,167</u>

Town of Hampton, Connecticut
 Schedule of property taxes levied,
 collections, and outstanding balances
 For the year ended June 30, 2021

Grand list	Collections during the fiscal year			Total	Adjustments	Uncollected taxes 6/30/21
	Taxes	Interest	Lien fees			
2019	\$ 3,768,462	\$ 16,251	\$ 367	\$ 3,785,080	\$ -	\$ 56,625
2018	55,155	13,463	670	69,288	-	26,494
2017	32,138	13,474	252	45,864	-	5,943
2016	20,643	13,683	202	34,528	-7,676	716
2015	15,324	12,179	144	27,647	-3,391	1,045
2014	8,109	4,172	-	12,281	-357	376
2013	-	-	-	-	-393	239
2012	-	-	-	-	-286	351
2011	-	-	-	-	-305	352
2010	-	-	-	-	-	367
2009	-	-	-	-	-	372
2008	-	-	-	-	-	244
2007	-	-	-	-	-	1,146
2006	-	-	-	-	-	1,103
2005	-	-	-	-	-	555
	<u>\$ 3,899,831</u>	<u>\$ 73,222</u>	<u>\$ 1,635</u>	<u>\$ 3,974,688</u>	<u>\$ -12,408</u>	<u>\$ 95,928</u>

A - This schedule is in effect designed to be shown on the cash basis of accounting whereas it shows the amount being received against tax years as revenues when in effect they represent a reduction in the outstanding asset account for each tax year outstanding. As a result, the total collections balance shown above will not tie out to the property tax revenue balance on Statement D and Statement E. However, the following is a reconciliation of selected balances from this schedule to the amount shown on Statement D and Statement E. In addition, the uncollected tax balances shown above may have been netted against credit balance accounts resulting from overpayments not yet refunded when present. A breakdown of these two amounts can be found in the posted rate book when present. The above shown adjustments column reports the current fiscal year transfers to suspense which were approved during the current fiscal year.

\$ 3,836,319	Current year taxes levied from page 58
73,222	Tax interest collections during the current fiscal year from above
1,635	Tax lien fee collections during the current fiscal year from above
5,714	Suspense collections during the current fiscal year
-12,408	Account balances transferred to suspense during the current fiscal year from above
-11,645	The net lawful corrections made during the current fiscal year from page 58
91,008	The unearned tax revenue adjustment made as described in item number 2 on page 16
<u>\$ 3,983,845</u>	Property tax revenues per Statement D and Statement E

B - Operation of Law - No tax can be collected 15 years after the original due date.

C - Taxes transferred (to) and from suspense. Though tax balances are transferred from active status to suspense status they remain collectible. During the current fiscal year \$3,192 was collected on principal suspense tax balances owed and \$2,522 of interest and lien fees was collected on principal suspense tax balances owed. In addition, \$0 worth of lawful correction deductions were made to a suspense tax year.

Stephen T. Hopkins, CPA, PC

Auditing, Accounting, and Consulting Services

214 Holmes Road / Scarborough, Maine 04074 / Phone: (207) 885 - 5038 / Fax: (207) 470 - 5050

Independent Auditors' Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*

Board of Finance
Board of Selectmen
Town of Hampton, Connecticut

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Hampton, Connecticut, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Hampton, Connecticut's basic financial statements, and have issued our report thereon dated January 18, 2022, which contained unmodified opinions on the governmental activities, each major fund and the aggregate remaining fund information. An adverse opinion was issued on the discretely presented component unit financial statements of the Town of Hampton, Connecticut as it relates to the government-wide financial statement exclusion of the financial information of entities determined to be component units. This adverse opinion is described in more detail in the Independent Auditors' Report which can be found on pages 1 through 3 of the financial statements.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and other matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Hampton, Connecticut's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Hampton, Connecticut's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stephen T. Hopkins, CPA, PC

Stephen J. Hopkins, CPA, PC

Scarborough, Maine
January 18, 2022

Stephen T. Hopkins, CPA, PC

Auditing, Accounting, and Consulting Services

214 Holmes Road / Scarborough, Maine 04074 / Phone: (207) 885 - 5038 / Fax: (207) 470 - 5050

Independent Auditors Report on Compliance for each major state program and
Internal control over compliance and the Schedule of expenditures of state
financial assistance required by the State Single Audit Act

Board of Finance
Board of Selectmen
Town of Hampton, Connecticut

Report on Compliance for Each Major State Program

We have audited the Town of Hampton, Connecticut's compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Town of Hampton, Connecticut's major state programs for the year ended June 30, 2021. The Town of Hampton, Connecticut's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Hampton, Connecticut's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Hampton, Connecticut's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Town of Hampton, Connecticut's compliance.

Opinion on Each Major State Program

In our opinion, the Town of Hampton, Connecticut, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Town of Hampton, Connecticut, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Hampton, Connecticut's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Hampton, Connecticut's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Hampton, Connecticut, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Hampton, Connecticut's basic financial statements. We have issued our report thereon dated January 18, 2022, which contained unmodified opinions on the governmental activities, each major fund and the aggregate remaining fund information. An adverse opinion was issued on the discretely presented component unit financial statements of the Town of Hampton, Connecticut as it relates to the government-wide financial statement exclusion of the financial information of entities determined to be component units. This adverse opinion is described in more detail in the Independent Auditors' Report which can be found on pages 1 through 3 of the financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hampton, Connecticut's basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

Stephen T. Hopkins, CPA, PC

Stephen T. Hopkins, CPA, PC

Scarborough, Maine
January 18, 2022

Town of Hampton, Connecticut
Schedule of expenditures of state financial assistance
For the year ended June 30, 2021

<u>State grantor/pass through Grantor/program title</u>	<u>State grant program Core-CT number</u>	<u>Expenditures</u>
<u>Office of Policy and Management:</u>		
Payment in lieu of taxes (PILOT) on state owned property	11000-OPM20600-17004	\$ 12,327
Disabled program	11000-OPM20600-17011	395
Property tax relief for veterans	11000-OPM20600-17024	326
Local capital improvement	12050-OPM20600-40254	9,982
<u>Department of Education:</u>		
Talent development	11000-SDE64370-12552	215
Adult education	11000-SDE64370-17030	1,769
<u>Office of Early Childhood:</u>		
Early care and education	11000-OEC64845-16274	100,800
School readiness quality enhancement	11000-OEC64845-16158	3,881
<u>Connecticut State Library:</u>		
Historic document preservation grant	12060-CSL66094-35150	5,500
<u>Department of Housing:</u>		
Affordable housing plan grant	12039-DOH46920-40233	15,000
<u>Department of Transportation:</u>		
Town aid road grants - Municipal	12052-DOT57131-43455	94,251
Town aid road grants - STO	13033-DOT57131-43459	94,250
<u>Other Departments miscellaneous awards:</u>		
Non-budgeted operating appropriation	34001-JUD95162-40001	455
Total State Financial Assistance before exempt programs		<u>339,151</u>
Exempt programs		
<u>Department of Education:</u>		
Education equalization grants program 82010	11000-SDE64370-17041	1,058,408
<u>Office of Policy and Management:</u>		
Municipal stabilization grant	11000-OPM20600-17104	28,585
Mashantucket Pequot grant	12009-OPM20600-17005	8,881
Total exempt programs		<u>1,095,874</u>
Total expenditures of State Financial Assistance		<u>\$ 1,435,025</u>

Town of Hampton, Connecticut
Notes to Schedule of expenditures of state financial assistance
For the year ended June 30, 2021

The accompanying schedule of expenditures of state financial assistance includes state grant activity of the Town of Hampton, Connecticut under programs of the State of Connecticut for the fiscal year ended June 30, 2021. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including but not limited to education, transportation, tax relief, and library programs.

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Town of Hampton, Connecticut conform to accounting principles generally accepted in the United States of America as applicable to governments. The information in the schedule of expenditures of state financial assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

Basis of Accounting:

There are two sets of basic financial statements contained in the Town of Hampton, Connecticut's annual report as required by GASB Statement No. 34. The government-wide financial statements are prepared on the accrual basis of accounting, and the fund financial statements are prepared on the modified accrual basis of accounting. The following is a summary of such bases:

Accrual Basis - Government-wide financial statements:

- Revenues are recognized when they are earned.
- Expenses are recorded when they are incurred.

Modified Accrual Basis - Fund financial statements:

- Revenues are recognized when they become measurable and available. Available includes those property tax receivables expected to be collected within sixty days after year end. Miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received. Intergovernmental revenues, and interest income are accrued, when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available.
- Expenditures are recorded generally when the related fund liability is incurred. This includes reimbursable expenditures which have been incurred by the Town and therefore included in the accompanying schedule of expenditures of state financial assistance but which have not yet been reimbursed and are considered and recorded as accounts receivable. The determination of when an award is expended should be based on when the activity related to the award occurs. Exceptions to this general rule include principal and interest on general long-term debt which is recorded when due.

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

Note 2 - Awards passed through to sub-recipients

There were no awards passed through to sub-recipients by the Town of Hampton, Connecticut for the year ended June 30, 2021.

Town of Hampton, Connecticut
 Schedule of findings and questioned costs
 For the year ended June 30, 2021

I. Summary of Audit Results

Financial Statements:

Type of auditor's report issued:	<u>Modified</u>		
Internal control over financial reporting:			
• Material weakness (es) identified?	<u> </u>	yes <u> X </u>	no
• Significant deficiency (ies) identified?	<u> </u>	yes <u> X </u>	none reported
• Noncompliance material to the financial statements noted?	<u> </u>	yes <u> X </u>	no

State Financial Assistance:

Type of auditors' report issued on compliance for major programs	<u>Unmodified</u>		
Internal control over major programs:			
• Material weakness (es) identified?	<u> </u>	yes <u> X </u>	no
• Significant deficiency (ies) identified?	<u> </u>	yes <u> X </u>	none reported
• Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act?	<u> </u>	yes <u> X </u>	no

Major State Programs and percentage of coverage:

- The following schedule reflects the major programs included in the audit. Sec. 4-230 of the Connecticut General Statutes states that a "major state program means any program, excluding an exempt program, determined to be a major state program by the independent auditor pursuant to the requirements of the risk based approach". Under step two of this process all Type A programs must be identified. Based on the Town of Hampton, Connecticut's non-exempt expenditures of state financial assistance amount of \$339,151, a Type A program shall be considered a non-exempt state program for which the amount of state financial assistance expended under the program for the audit period equals or exceeds \$100,000. The Town of Hampton has one Type A program for the current fiscal year based on the \$100,000 dollar threshold and therefore all of its remaining programs would be considered Type B programs. The Town has two Type B programs for which a risk assessment must be performed considering the Type B programs with expenditures in excess of \$25,000.
- In accordance with Subpart A of the risk assessment procedures, the following considerations have been applied to the Type A program of the Town to determine whether it should be considered high risk: The dollar value of the applicable transactions, the complexity of the requirements of the program and as compared to other programs of the Town, whether the program has been tested as major during at least one of the two most recent audit periods and an assessment based on professional judgement. The Town's one Type A program was determined to be high-risk and therefore was audited as a major program. Both of the Type B programs of the Town for which a risk assessment was required were determined to be high-risk and therefore were audited as major programs. The total non-exempt state financial assistance expended by the Town for the current audit period was \$339,151. The programs tested as major and shown below represent approximately 85% of the total non-exempt state financial assistance expended.

<u>State grantor and program</u>	<u>State grant program Core-CT number</u>	<u>Expenditures</u>
Early care and education		\$ 100,800
Town aid road grants - Municipal	12052-DOT57131-43455	94,251
Town aid road grants - STO	13033-DOT57131-43459	94,250
		<u>\$ 289,301</u>

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

Town of Hampton, Connecticut
Schedule of findings and questioned costs (continued)
For the year ended June 30, 2021

II. Financial Statement Findings

- We issued our report, dated January 18, 2022, on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
- Our report on internal control over financial reporting did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies.
- Our report on compliance and other matters disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

III. State Financial Assistance Findings and Questioned Costs

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

IV. Summary Schedule of Prior Audit Findings

- Financial Statement Findings:

Finding No. 2020-01

Condition - As part of the expenditure and internal control testing during the audit, it was found that a material portion of a specific invoice was posted to two different expenditure accounts for which the expenditure clearly did not match the description of the two accounts and for which there did not appear to be a budgeted expenditure account which matched the description of the expenditure within the general fund.

Current Status - This prior fiscal year finding related to one specific purchase for which the aforementioned circumstances were found during testing which seemed to indicate a lack of adequate internal controls. No similar situations were found during the current fiscal year testing and therefore it would appear that the Town has implemented and or utilized an adequate system of internal controls to correct this prior fiscal year finding.

- State Program Findings:

There were no findings and questioned costs related to state financial assistance award programs reported in the audit report for the Town of Hampton, Connecticut for the fiscal year ended June 30, 2020.