

Preliminary Official Statement Dated December 3, 2014

New Issue: Book-Entry-Only

RATINGS: See "Ratings" herein.

In the opinion of Bond Counsel, assuming the accuracy of and compliance by the Town with its representations and covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended (the "Code"), under existing statutes, interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; the Notes are not "private activity bonds" and interest on the Notes is not treated as a preference item for purposes of calculating the Federal alternative minimum tax, but in the case of corporations a portion of such interest may be included in alternative minimum taxable income for purposes of computing any Federal alternative minimum tax; interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the Notes is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. See Appendix B – "Opinion of Bond Counsel and Tax Exemption" herein.



Town of East Hampton, Connecticut

\$16,415,000

General Obligation Bond Anticipation Notes, Issue of 2014

Dated: December 19, 2014

Rate: ____%

Due: December 18, 2015

Yield: ____%

CUSIP: 272659____¹

Underwriter: TBD

Sealed proposals and electronic bids via PARITY will be received until 11:30 A.M. (Eastern Time) for the Notes on Wednesday, December 10, 2014 at the offices of Phoenix Advisors, LLC, 53 River Street, Suite 1, Milford, Connecticut 06460. Telephone bids will be received by an authorized agent of Phoenix Advisors, the Town's Financial Advisor, until 11:30 A.M. for the Notes on the sale date at 203-878-4945.

The Notes will be issued in book-entry-only form and will bear interest at such rate or rates per annum as are specified by the successful bidder or bidders in accordance with the Notice of Sale, dated December 3, 2014. The Notes, when issued, will be registered in the name of Cede & Co., as Noteowner and nominee for DTC, New York, New York. See "Book-Entry-Only Transfer System" herein.

The Notes are not subject to redemption prior to maturity.

The Registrar, Transfer Agent, Paying Agent, and Certifying Agent will be U.S. Bank National Association, Goodwin Square, 225 Asylum Street, Hartford, Connecticut 06103.

The Notes will be general obligations of the Town of East Hampton, Connecticut and the Town will pledge its full faith and credit to pay the principal of and interest on the Notes when due.

The Notes are offered for delivery when, as and if issued, subject to the final approving opinion of Day Pitney LLP, Bond Counsel, of Hartford, Connecticut. It is expected that delivery of the Notes in book-entry-only form will be made to DTC in New York, New York on or about December 19, 2014.

This cover page contains certain information for quick reference only. It is NOT a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

¹ Copyright, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the Town and are included solely for the convenience of the holders of the Notes. The Town is not responsible for the selection or use of these CUSIP numbers, does not undertake any responsibility for their accuracy, and makes no representation as to their correctness on the Notes or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Notes as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Notes.

No dealer, broker, salesman or other person has been authorized by the Town of East Hampton, Connecticut (the “Town”) to give any information or to make any representations, other than those contained in this Official Statement; and if given or made, such other information or representation must not be relied upon as having been authorized by the Town. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement has been prepared only in connection with the initial offering and sale of the Notes and may not be reproduced or used in whole or in part for any other purpose. The information, estimates and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Notes shall, under any circumstances, create any implication that there has been no material change in the affairs of the Town since the date of this Official Statement.

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Note Issue Summary

The information in this Note Issue Summary and the front cover page is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed decision. This Official Statement speaks only as of its date and the information herein is subject to change.

Date of Sale:	Wednesday, December 10, 2014 at 11:30 A.M. (Eastern Time).
Location of Sale:	The offices of Phoenix Advisors, LLC, 53 River Street, Suite 1, Milford, Connecticut 06460. Tel: (203) 878-4945.
Issuer:	Town of East Hampton, Connecticut (the "Town").
Issue:	\$16,415,000 General Obligation Bond Anticipation Notes (the "Notes").
Dated Date:	December 19, 2014.
Interest Due:	At maturity: December 18, 2015.
Principal Due:	At maturity: December 18, 2015.
Authorization and Purpose:	The Notes are being issued to finance middle school and road projects. See "Authorization and Purpose" herein.
Redemption:	The Notes are NOT subject to redemption prior to maturity.
Security:	The Notes will be general obligations of the Town of East Hampton, Connecticut, and the Town will pledge its full faith and credit to the payment of principal of and interest on the Notes when due.
Credit Rating:	No application has been made to any rating agency for a rating on the Notes. The Town's outstanding S&P long-term rating is 'AA+'.
Basis of Award:	Lowest Net Interest Cost (NIC), as of the dated date.
Tax Exemption:	See Appendix B - "Opinion of Bond Counsel and Tax Exemption".
Bank Qualification:	The Notes shall <u>NOT</u> be designated by the Issuer as qualified tax-exempt obligations under the provision of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions of interest expense allocable to the Notes.
Continuing Disclosure:	In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided, annual financial information and operating data and notices of material events with respect to the Notes pursuant to a Continuing Disclosure Agreement to be executed by the Town substantially in the form set out in Appendix C to this Official Statement.
Registrar, Transfer Agent, Certifying Agent and Paying Agent:	U.S. Bank National Association, Goodwin Square, 225 Asylum Street, Hartford, Connecticut 06103.
Financial Advisor:	Phoenix Advisors, LLC, of Milford, Connecticut. Telephone (203) 878-4945.
Legal Opinion:	Day Pitney LLP, of Hartford, Connecticut.
Delivery and Payment:	It is expected that delivery of the Notes in book-entry-only form will be made to The Depository Trust Company on or about December 19, 2014. Delivery of the Notes will be made against payment in Federal Funds.
Issuer Official:	Questions concerning the Official Statement should be addressed to Jeffrey Jylkka, Finance Director/Treasurer, Town of East Hampton, Town Hall, 20 East High Street, East Hampton, Connecticut 06424. Telephone: (860) 275-7548.

I. Note Information

Introduction

This Official Statement, including the cover page and appendices, is provided for the purpose of presenting certain information relating to the Town of East Hampton, Connecticut (the “Town”), in connection with the issuance and sale of \$16,415,000 General Obligation Bond Anticipation Notes (the “Notes”) of the Town.

The Notes are being offered for sale at public bidding. A Notice of Sale dated December 3, 2014 has been furnished to prospective bidders. Reference is made to the Notice of Sale, which is included as Appendix D for the terms and conditions of the bidding.

This Official Statement is not to be construed as a contract or agreement between the Town and the purchasers or holders of any of the Notes. Any statements made in this Official Statement involving matters of opinion or estimates are not intended to be representations of fact, and no representation is made that any such opinion or estimate will be realized. No representation is made that past experience, as might be shown by financial or other information herein, will necessarily continue or be repeated in the future. All quotations from and summaries and explanations of provisions of Statutes, Charters, or other laws and acts and proceedings of the Town contained herein do not purport to be complete, are subject to repeal or amendment, and are qualified in their entirety by reference to such laws and the original official documents. All references to the Notes and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive form of the Notes and such proceedings.

U.S. Bank National Association will certify and act as Registrar, Transfer Agent, Paying Agent, and Certifying Agent for the Notes.

The presentation of information in this Official Statement is intended to show recent historical trends and is not intended to indicate future or continuing trends in the financial or other positions of the Town.

The Town deems this Official Statement to be “final” for the purposes of Securities and Exchange Commission Rule 15c2-12(b)(1), but it is subject to revision or amendment.

Financial Advisor

Phoenix Advisors, LLC, of Milford, Connecticut has served as Financial Advisor to the Town with respect to the issuance of the Notes (the “Financial Advisor”). The information in this Official Statement has been prepared by the Town of East Hampton, with the help of the Financial Advisor. The Financial Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement and the appendices hereto.

The Financial Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. An agreement between the Town and Phoenix Advisors, LC has been entered into to conform to Municipal Securities Rulemaking Board Rule G-23.

Description of the Notes

The Notes will be dated December 19, 2014 and will be due and payable as to both principal and interest at maturity on December 18, 2015. The Notes will bear interest calculated on the basis of twelve 30-day months and a 360-day year at such rate or rates per annum as are specified by the successful bidder or bidders. A book-entry system will be employed evidencing ownership of the Notes in principal amounts of \$5,000 or integral multiples thereof, with transfers of ownership effected on the records of DTC, and its participants pursuant to rules and procedures established by DTC and its participants. See “Book-Entry-Only Transfer System”. The Notes are not subject to redemption prior to maturity.

U.S. Bank National Association, 225 Asylum Street, Goodwin Square, Hartford, Connecticut 06103 will act as Registrar, Transfer Agent, Paying Agent and Certifying Agent for the Notes. The legal opinion for the Notes will be rendered by Day Pitney LLP, Bond Counsel, of Hartford, Connecticut. See Appendix B “Form of Opinion of Bond Counsel and Tax Exemption”.

Authorization and Purpose

The Notes are issued pursuant to the General Statutes of Connecticut, as amended, the Charter of the Town of East Hampton, and to borrowing resolutions approved by the voters of the Town.

Project	Amount Authorized	THIS ISSUE:
		Notes Due: 12/18/2015
Phase III and IV of Road Program.....	\$ 3,315,000	\$ 1,415,000
High School Renovations and Additions....	51,695,000	15,000,000
Total.....	\$ 55,010,000	\$ 16,415,000

Book-Entry-Only Transfer System

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Notes. The Notes will be issued as fully-registered Notes registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for each interest rate of the Notes, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Town as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and Interest on, and redemption premium, if any, with respect to the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Notes held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the Town or its Agent. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

DTC Practices

The Town can make no assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners of the Notes will act in a manner described in this Official Statement. DTC is required to act according to rules and procedures established by DTC and its participants which are on file with the Securities and Exchange Commission.

Replacement Securities

In the event that: (a) DTC determines not to continue to act as securities depository for the Notes, and the Town fails to identify another qualified securities depository for the Notes to replace DTC; or (b) the Town determines to discontinue the book-entry system of evidence and transfer of ownership of the Notes, the Town will issue fully-registered Note certificates directly to the Beneficial Owner. A Beneficial Owner of the Notes, upon registration of certificates held in such Beneficial Owner's name, will become the registered owner of the Notes.

Security and Remedies

The Notes will be general obligations of the Town and the Town will pledge its full faith and credit to pay the principal of and interest on the Notes when due. Unless paid from other sources, the Notes are payable from general property tax revenues. The Town has the power under the Connecticut General Statutes to levy ad valorem taxes on all taxable property in the Town without limit as to rate or amount, except as to certain classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or qualified disabled persons taxable at limited amounts. The Town may place a lien on the property for the amount of tax relief granted, plus interest, with respect to dwelling houses of qualified elderly persons of low income or qualified disabled persons. Under existing statutes, the State of Connecticut is obligated to pay the Town the amount of the tax revenue which the Town would have received except for the limitation under certain of the statutes upon its power to tax dwelling houses of qualified elderly persons of low income.

Payment of the Notes is not limited to property tax revenues or any other revenue source, but certain revenues of the Town may be restricted as to use and therefore may not be available to pay debt service on the Notes.

There are no statutory provisions for priorities in the payment of general obligations of the Town. There are no statutory provisions for a lien on any portion of the tax levy or other revenues to secure the Notes or judgments thereon, in priority to other claims.

The Town is subject to suit on its general obligation notes and a court of competent jurisdiction has power in appropriate proceedings to render a judgment against the Town. Courts of competent jurisdiction also have power in appropriate proceedings to order a payment of a judgment on such debt from funds lawfully available therefor or, in the absence thereof, to order the Town to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising their discretion as to whether to enter such an order, the courts may take into account all relevant factors including the current operating needs of the Town and the availability and adequacy of other remedies.

Enforcement of a claim for payment of principal of or interest on the Notes would also be subject to the applicable provisions of Federal bankruptcy laws as well as other bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion. Section 7-566 of the Connecticut General Statutes, as amended in 1993, provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor. This prohibition applies to any town, city, borough, metropolitan district and any other political subdivision of the State having the power to levy taxes and issue bonds or other obligations.

THE TOWN HAS NEVER DEFAULTED IN THE PAYMENT OF PRINCIPAL OR INTEREST ON ITS BONDS OR NOTES.

Qualification for Financial Institutions

The Notes shall NOT be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Notes.

Availability of Continuing Information

The Town prepares, in accordance with State law, annual independent audited financial statements and operating statements and files such annual reports with the State of Connecticut, Office of Policy and Management on an annual basis. The Town provides, and will continue to provide Moody's Investors Service and Standard & Poor's ongoing disclosure in the form of independent annual financial reports, adopted budgets, and other materials relating to its management and financial condition, as may be necessary or requested.

The Town will enter into a Continuing Disclosure Agreement with respect to the Notes, substantially in the form attached as Appendix C to this Official Statement ("Form of Continuing Disclosure Agreement"), to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2-12(b)(5) (the "Rule") timely notice of the occurrence of certain events not in excess of 10 business days after the occurrence of such events with respect to

the Notes. The winning bidders' obligation to purchase the respective Notes shall be conditioned upon it receiving, at or prior to the delivery of the Notes, an executed copy of the Continuing Disclosure Agreement.

The Town has previously undertaken in continuing disclosure agreements entered into for the benefit of holders of certain of its general obligation bonds and notes to provide certain annual financial information and event notices pursuant to the Rule. In the past five years, the Town has not failed to comply in any material respect its undertakings under such agreements.

Ratings

No application has been made for a rating on the Notes.

The Town's most recent bonds of August 2013 were rated "AA+" from Standard & Poor's Corporation.

The rating reflects only the view of such rating agency and an explanation of the significance of the rating may be obtained from Standard & Poor's, 55 Water Street, New York, New York 10041. There is no assurance that the rating will continue for any given period of time or that it will not be revised or withdrawn entirely if, in the judgment of such rating agency, circumstances so warrant. A revision or withdrawal of the rating may have an effect on the market price of the Town's notes.

Bond Insurance

The Town does not expect to purchase a credit enhancement facility for the Notes.

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II. The Issuer

Description of the Municipality

The Town of East Hampton was formed on land taken from Middletown. The first settlement was located south of the Middle Haddam Landing on the Connecticut River about 1710. The second settlement was made on Lake Pocotopaug in 1743 by 32 people who were drawn "by the excellent mill-seat at the outlet of Pocotopaug Pond." These two settlements were joined together and incorporated as Chatham, after the English village of the same name, in October 1767. In 1915, the name was changed to East Hampton.

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

East Hampton is a residential community with a light industrial tax base and limited seasonal resorts. Principal industries include manufacture of bells, paper boxes, pharmaceuticals, tools and dies, and forestry. East Hampton's existing development has occurred primarily on the major roadways, Routes 16, 151, and particularly, Route 66. Principal non-residential development has occurred in three historic centers — Cobalt, Middle Haddam, and East Hampton Center. High-density residential development is concentrated around East Hampton Center and Lake Pocotopaug. Approximately 720 acres remain as active farmland, mostly as field crops.

In the village of Cobalt, mining began in 1762. Nickel and several other metals, including gold, cobalt and mica, were found there. The Great Hill area of Cobalt was known as the "Governor's Ring" because Governor Winthrop of New London visited the area and returned with gold rings which were supposedly made from gold found in Cobalt. In 1985 this story was given new validity when a University of Connecticut professor and his students found veins of gold in the rocks near the old mine shafts.

The village of Middle Haddam was involved extensively in shipbuilding in its early history. Beginning in 1758, many of the finest of the "London Packets" were built there. By 1840, 51 ships, 24 brigs, 21 schooners and 15 sloops were launched from there. The most famous ship built in the Middle Haddam yards was the United States Battleship "Connecticut" launched in 1799.

The village of East Hampton also prospered during the shipbuilding era. The local farms found a steady market for their timber in Middle Haddam, and the forge on the Pocotopaug outlet supplied much of the iron used in the ships. In 1808 William Barton moved to East Hampton and set up a factory for the manufacture of bells. East Hampton, as the center of the bell-making industry for the country, soon became known as "Belltown." One of the oldest firms, Bevin Bros. (1832), was destroyed by fire in 2012. There are plans to rebuild and the company has set up a temporary manufacturing facility in town.

In the late 19th and 20th centuries, the improved accessibility afforded by the railroad led to the development of a successful tourist industry in East Hampton, with Lake Pocotopaug, which is one of Connecticut's largest natural lakes, as the main attraction.

From the colonial period until the arrival of the railroad in 1874, the Connecticut River served as East Hampton's artery for transportation and shipping. With the arrival of the railroad, use of the Connecticut River for transportation decreased until 1927 when the passenger trains stopped coming to East Hampton and 1965 when freight trains ceased operation. However, the river still serves as an important scenic and recreational resource. Other natural resources contributing to the Town's aesthetic appeal and providing recreational opportunities are numerous lakes, ponds, rivers, and streams including Hurd State Park with 884 acres, Lake Pocotopaug with 511 acres, Meshomasic State Forest with 2,298 acres, Salmon River State Forest with 516 acres, and Wopowog Management Area with 440 acres.

The Lake Pocotopaug Association and Princess Pocotopaug Corporation are separate tax districts or coterminous entities within the territorial limits of the Town of East Hampton.

Form of Government

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

A Director of Finance, appointed by the Town Manager, serves as Treasurer for the Town and is responsible for the operation and supervision of the Department of Finance. The Director of Finance has full supervisory responsibilities for the keeping of accounts and financial records; the receipt of operating and other revenues; the custody and disbursement of Town and Board of Education funds and money; the control over expenditures and such other powers and duties as may be required by the Charter and ordinance or resolution of the Council. The Collector of Revenue and the Assessor, both appointed by the Town Manager, work under the supervision of the Director of Finance.

The Board of Finance is the budget-making authority responsible for financial and taxation matters, presenting the annual operating budget and special appropriations to the Council for its approval and establishing the

tax rate. The Council is responsible for submitting the annual operating budget and special appropriations to the Town Meeting.

The local Board of Education, which is an elected nine-member board, is the policy-making body for all public education, grades pre-kindergarten through twelve. The Superintendent of Schools is directly responsible to the Board of Education for the supervision and administration of the education system.

Town Officials				
Office	Name	Manner of Selection	Length Of Service	Term Expires
Chairperson, Town Council.....	Barbara Moore	Elected	5 years	2015
Vice Chairperson, Town Council....	Kevin Reich	Elected	1 year	2015
Councilor.....	Patience Anderson	Elected	1 year	2015
Councilor.....	Ted Hintz; Jr.	Elected	3 years	2015
Councilor.....	George Pfaffenbach	Elected	3 years	2015
Councilor.....	Mark Philhower	Elected	1 year	2015
Councilor.....	Philip Visintainer	Elected	1 year	2015
Chairman, Board of Finance.....	Ted Turner	Elected	3 years	2015
Town Manager.....	Michael Maniscalco	Appointed	3 years	Indefinite
Finance Director.....	Jeffery M. Jylkka	Appointed	15 years	Indefinite
Town Clerk.....	Sandra Wieleba	Appointed	8 years	Indefinite
Superintendent of Schools.....	Diane Dugas	Appointed	2 years	Indefinite

Source: Town of East Hampton

Municipal Services

Police Protection: The East Hampton Police Department was organized in 1963. There are fifteen full-time sworn personnel including one chief, three sergeants, and eleven officers, supplemented by two civilian clerks. Dispatch is through a regional 911 dispatch center providing 24 hour, seven days per week service to seven member towns. All police are trained in basic MRT first aid skills.

Fire Protection: Fire protection is provided by the East Hampton Volunteer Fire Department. Equipment and facilities are provided by the Town. Policy decisions of this 70-member volunteer fire department are administered by a five-member Board of Fire Commissioners. There are three stations located strategically throughout the Town.

Animal Protection: The department consists of two part-time animal control officers. Beginning July 1, 2011 the Town of East Hampton entered into a three year agreement with the Town of Haddam to use their pound for detention and care of impounded dogs and other permitted animals.

Emergency Medical Service: Assistance is provided by the Town's Volunteer Ambulance Association operating autonomously of the Town government. The Town of East Hampton completed construction of a new ambulance facility during 2005 for the association. The association has two ambulances.

Health: East Hampton is a member of the Chatham Health District. The Health District is composed of seven towns including East Hampton, Marlborough, Hebron, Portland, Haddam, East Haddam and Colchester. The District was formed in June 2002. The Town of East Hampton holds two seats on the District Board of Health. The District consists of a full-time Health Director, who is backed up by seven full-time and six part-time staff. The District provides all essential public health services to member towns.

Housing: The East Hampton Housing Authority, appointed by the Town Council, operates two elderly housing complexes, a 30-unit and a 40-unit development.

Recreation and Open Space: The East Hampton Parks and Recreation Department operates Sears Park on the shore of Lake Pocotopaug as well as sponsors numerous recreation programs at four public school playfield sites

and operates several tennis courts and picnic facilities. A full-time Director and a full-time assistant operate the department. Approximately 4,045 acres of State-owned forest and park land located in East Hampton offers outdoor active and passive recreation and natural scenery; and provide facilities for hiking, fishing, hunting, winter trail sports, picnicking, canoe camping, sport fishing, and whitewater canoeing. In cooperation with D.E.E.P. the Department maintains the "Airline Trail", a rails-to-trails hiking trail. Cobalt Marina, a privately owned facility, offers access to the Connecticut River.

Libraries: The East Hampton Public Library is located in the Community Center. The library contains approximately 72,500 volumes and is open 51 hours a week covering day and evening times. The Middle Haddam Public Library, constructed in the 1790's is privately owned and maintained, and serves the special needs of the community residents.

Economic Development: The Town has an active Economic Development Commission that works with the Council and Town Manager to promote commercial and industrial development objectives.

Public Works: The facility built in 1989 houses the department which maintains 91.06 miles of local roads, 8.92 miles of sidewalks, seven municipal cemeteries, four recreation areas, several town parking lots and supervises infrastructure repairs funded through the Capital Improvement Program.

Community Center: The facility built in 1986 and expanded in 2011 houses a fully-automated public library/community room and senior center.

Wastewater: The Town of East Hampton through an inter-municipal agreement with the Town of Colchester jointly operates a regional wastewater treatment plant. This 3.9 million gallon per day (MGD) facility was completed in 1981. The wastewater treatment facility serves over 3,335 units of residential, commercial and industrial buildings in East Hampton; an additional 2,004 units in Colchester, 1,080 units in Hebron and 240 units in Marlborough. Currently, the plant is operating at 46% of its capacity with an average daily flow of 1,800,000 gallons. The Town through the Joint Facilities meets the public wastewater needs for portions of the Towns of East Hampton, Colchester, Hebron, Marlborough, East Haddam and most recently Portland. The 3.9 MGD wastewater treatment plant utilizes an activated sludge process to remove over 90% of the major pollutants. In 2001 the plant was modified to control the discharge of nitrogen. The 2002 commissioning of a Facilities Plan Study assures the Town and member communities that their wastewater needs will continue to be met for the next 20 years.

Potable Water: Individual on-site private wells or small community water systems provide for the potable drinking water needs of the Town. There are approximately 55 small community water systems in East Hampton. Presently the Town operates the Village Center and the Royal Oaks Water System. The Village Center system, built in 1991 and upgraded in 2008, serves 29 customers and has limited expansion capability. The Royal Oaks system, completed in 2005, serves 82 homes and has been interconnected to serve the Memorial School located on Smith Street. Groundwork has been completed for the development of a municipal water system to serve 40% of the Town's population.

Solid Waste Disposal: The Town entered into a long-term service contract (the "Service Contract") with the Connecticut Resources Recovery Authority ("CRRA") for the disposal of solid waste through the System (the "System"). The Service Contract runs through June 30, 2027.

The Connecticut General Assembly adopted, and on June 6, 2014 Governor Malloy signed, Public Act 14-94, which establishes the Materials Innovation and Recycling Authority ("MIRA") as the successor authority to CRRA. Pursuant to this legislation, MIRA will continue to provide solid waste materials management services, with a focus on the development of additional resource recovery, recycling, and processing enterprises on property owned by the CRRA and the attendant redevelopment of the Connecticut Solid Waste System. The legislation provides generally that MIRA has assumed the rights and responsibilities of CRRA, and that: (1) all orders or regulations of CRRA remain in full force and effect as orders or regulations of MIRA, (2) MIRA is substituted for CRRA in any outstanding legal proceedings, (3) contracts, rights of action or matters undertaken or commenced by CRRA will now be undertaken and completed by MIRA under the same terms and conditions, (4) the officers and employees of CRRA are the officers and employees of MIRA, and (5) all property of CRRA is the property of MIRA.

Each municipality signing such a Service Contract, including the Town, has agreed to cause to be delivered to the System all of the solid waste under the legal control of the municipality. MIRA is required to impose service payments at a uniform rate per ton for all municipalities, such that the aggregate of all such service payments received by MIRA shall be sufficient to pay for the net cost of operation of the System as defined in the Service Contract. Under the Service Contract, the Town has no obligation for a minimum tonnage commitment; however it must commit to a "flow control" provision which requires that all solid waste and residential recyclables generated within its borders be directed to the MIRA facility. Private haulers provide curbside solid waste and recyclables collection services to residents, and pursuant to Town ordinance are required to direct all collections to the System.

Prior to the start of each contract year MIRA estimates (i) the service payments to be paid by each municipality for such contract year and (ii) the annual budget for the System and submits such information to each municipality. Each municipality is then required to make all provisions necessary to pay the service payments on a timely basis. The service payments remain in effect for the contract year with differences between the aggregate of all such service payments and the net cost of operation for each contract year being settled in the following contract year. A municipality is obligated to make service payments only if MIRA accepts solid waste delivered by the municipality. A disposal fee of \$62.00 is in effect for the fiscal year 2015.

All municipalities, including the Town, pledge their full faith and credit for the payment of all service payments and any delayed-payment charges and costs and expenses of MIRA and its representatives in collecting overdue service payments. To the extent that a municipality does not make provisions or appropriations necessary to provide for and authorize the payment by such municipality to MIRA of the payments required to be made by it under the Service Contract, the remaining municipalities, including the Town, must levy and collect such general or special taxes or cost sharing or other assessments as may be necessary to make such payments in full when due thereunder.

Local solid waste is collected by private haulers. Haulers' agreements require that all acceptable solid waste and residential recyclables collected within the Town's boundaries be delivered to the MIRA facility. The Town maintains a brush disposal area and a bulky waste transfer station.

Electric Department: Electric power is supplied to the Town by the Connecticut Light & Power Company, a subsidiary of Northeast Utilities.

Educational Services

School Enrollment

<i>Historical</i>					
<i>School Year*</i>	<i>Pre K-6</i>	<i>7-9</i>	<i>10-12</i>	<i>Special Education</i>	<i>Total</i>
2008-2009	1,154	476	432	20	2,082
2009-2010	1,117	454	440	10	2,021
2010-2011	2,151	464	435	11	3,061
2011-2012	1,038	467	423	7	1,935
2012-2013	1,057	438	379	8	1,882
2013-2014	1020	402	407	10	1,839
2014-2015	1024	402	403	10	1,839
<i>Projected</i>					
2015-2016	1,032	401	382	10	1,825
2016-2017	1,033	397	366	10	1,806
2017-2018	1,048	392	346	10	1,796

Source: Town of East Hampton, Board of Education

** In District only, excludes outplacements and magnet schools.*

School Facilities

School ¹	Grades	Date of Construction (Additions, Remodeling)	Number of Classrooms	10/1/2014 Enrollment	Rated Capacity
Memorial School.....	Pre-K	1951, 1956, 1992	46	602	700
Center School.....	4-5	1914, 1939, 1993	18	284	350
Middle School.....	6-8	1971, 1992	33	432	480
High School.....	9-12	1963, 1976, 1979, 1992	43	503	580
Total.....			140	1,821	

¹ A learning center shared with the town of East Hampton, has a combined capacity of 12 students with 1 classroom.

Source: Town of East Hampton, Board of Education

Employee Relations and Collective Bargaining Municipal Employees

	2014	2013	2012	2011	2010
General Government.....	84	81	77	78	80
Board of Education.....	319	303	300	300	300
Total.....	403	384	377	378	380

Source: Finance Office, Town of East Hampton. General Government figures include WPCA employees.

Employee Relations

Board of Education Groups	Positions Covered	Current Contract Expiration Date
Principals/Administrators - East Hampton School		
Administrators Association.....	8	06/30/2017
Teachers – East Hampton Education Association.....	176	06/30/2016
Custodians & Cafeteria - Municipal Employee Union		
Independent ("MEUI"), Local 506: Services Employees		
International Union ("SEIU") (Custodians & Cafeteria Association)...	27	06/30/2017
Secretaries - MEUI, Local 506: SEIU (Secretaries Association).....	17	06/30/2017
Paraprofessionals - MEUI, Local 506: SEIU (Paraprofessional Assoc.)...	34	06/30/2017
School Nurses - MEUI, Local 506: SEIU (School Nurses Assoc.).....	4	06/30/2015
Non-Bargaining.....	53	
Total Board of Education Employees.....	319	
General Government Groups		
Police - Local 524, A FSME Council 15.....	14	06/30/2016
Town Hall, Public Works and WPCA - Local R-126, National		
Association of Government.....	38	06/30/2015
Supervisors - MEUI Local 506	8	In arbitration
Non-Bargaining.....	10	
Total General Government Employees.....	70	

Source: Town of East Hampton, Finance Department.

Binding Arbitration

Connecticut General Statutes Sections 7-473c, 7-474, and 10-153a to 10-153n provide for a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certified teachers and certain other employees. The legislative body of a municipality may reject the arbitration panel's decision by a two-thirds majority vote. The State of Connecticut and the employee organization must be advised in writing of the reasons for rejection. The State then appoints a new panel of either one or three arbitrators to review the decisions on each of the rejected issues. The panel must accept the last best offer of either party. In reaching its determination, the arbitration panel gives priority to the public interest and the financial capability of the municipal employer, including consideration of other demands on the financial capability of the municipal employer. Effective October 1, 1997, for binding arbitration of teachers' contracts, in assessing the financial capability of a town, there is an irrefutable presumption that a budget reserve of 5% or less is not available for payment of the cost of any items subject to arbitration. In light of the employer's financial capability, the panel considers prior negotiations between the parties, the interests and welfare of the employee group, changes in the cost of living, existing employment conditions, and wages, salaries, fringe benefits, and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits.

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III. Economic and Demographic Information

Population and Density

Year	Population¹	% Increase (Decrease)	Density²
2012	12,953 ³	(0.05%)	352
2010	12,959	14.16%	352
2000	11,352 ⁴	8.86%	308
1990	10,428	21.65%	283
1980	8,572	21.11%	233
1970	7,078	--	192

¹ U.S. Department of Commerce, Bureau of Census.

² Per square mile: 36.8 square miles

³ U.S. Census Bureau, 2008-2012 American Community Survey

⁴ The U.S. Department of Commerce, Bureau of Census, has notified East Hampton that it has reduced its population counts by 2,000 restating the Town's total number of residents to 11,352.

Age Distribution of the Population

Age	Town of East Hampton		State of Connecticut	
	Number	Percent	Number	Percent
Under 5.....	745	5.8%	200,031	5.6%
5 - 9.....	989	7.6	221,806	6.2
10 - 14.....	575	4.4	238,955	6.7
15 - 19.....	940	7.3	254,462	7.1
20 - 24.....	786	6.1	225,619	6.3
25 - 34.....	1,216	9.4	421,617	11.8
35 - 44.....	2,150	16.6	485,127	13.6
45 - 54.....	2,337	18.0	570,253	16.0
55 - 59.....	874	6.7	238,882	6.7
60 - 64.....	986	7.6	205,639	5.8
65 - 74.....	808	6.2	258,464	7.2
75 - 84.....	412	3.2	166,552	4.7
85 and over.....	135	1.0	84,806	2.4
Total.....	12,953	100.0%	3,574,097	100.0%

Median Age (Years)..... 41.2 40.0

Source: U.S. Census Bureau, 2008-2012 American Community Survey

Income Distribution

	Town of East Hampton		State of Connecticut	
	Families	Percent	Families	Percent
Less than \$10,000.....	43	1.2%	29,554	3.3%
\$10,000 to \$14,999.....	49	1.4	19,067	2.1
\$15,000 to \$24,999.....	9	0.3	46,703	5.1
\$25,000 to \$34,999.....	73	2.1	56,959	6.3
\$35,000 to \$49,999.....	205	5.8	86,314	9.5
\$50,000 to \$74,999.....	571	16.1	145,557	16.0
\$75,000 to \$99,999.....	629	17.8	135,431	14.9
\$100,000 to \$149,999.....	1,005	28.4	190,762	21.0
\$150,000 to \$199,999.....	438	12.4	89,839	9.9
\$200,000 or more.....	518	14.6	107,414	11.8
Total.....	3,540	100.0%	907,600	100.0%

Source: U.S. Census Bureau, 2008-2012 American Community Survey

Income Levels

	Town of East Hampton	State of Connecticut
Per Capita Income, 2012.....	\$ 40,502	\$ 37,807
Per Capita Income, 2010.....	34,555	36,775
Per Capita Income, 2000.....	22,769	28,776
Median Family Income, 2012.....	\$ 109,293	\$ 87,182
Percent Below Poverty.....	2.2%	6.5%

Source: U.S. Department of commerce, Bureau of Census, 2000 and 1990;

U.S. Census Bureau, 2008-2012 American Community Survey

Educational Attainment Years of School Completed Age 25 and Over

	Town of East Hampton		State of Connecticut	
	Number	Percent	Number	Percent
Less than 9th grade.....	89	1.0%	109,410	4.5%
9th to 12th grade, no diploma.....	259	2.9	158,037	6.5
High School graduate (includes equivalency).....	2,435	27.3	678,344	27.9
Some college, no degree.....	1,668	18.7	427,916	17.6
Associate degree.....	892	10.0	177,488	7.3
Bachelor's degree.....	1,989	22.3	493,562	20.3
Graduate or professional degree.....	1,587	17.8	384,152	15.8
Total.....	8,918	100.0%	2,431,340	100.0%
Percent high school graduate or higher.....		96.1%		88.9%
Percent bachelor's degree or higher.....		40.1%		36.1%

Source: U.S. Census Bureau, 2008-2012 American Community Survey

**Major Employers
As of September 2014**

Employer	Type of Business	Approximate Number of Employees
Town of East Hampton.....	Municipality	403
Stop & Shop Supermarket.....	Supermarket	150
Nichols Bus Service, Inc.....	Transportation	110
Cobalt Lodge	Health	74
American Distilling.....	Manufacturer	50
Northeast Utilities.....	Utility	50
Paul's and Sandy's Too.....	Hardware & Garden Center	35
United States Postal Service.....	Mail Delivery	31
Bevin Brothers.....	Manufacturer	18

Source: Town of East Hampton, phone survey.

**Employment by Industry
Employed Persons 16 Years and Over**

Sector	Town of East Hampton		State of Connecticut	
	Number	Percent	Number	Percent
Agriculture, forestry, fishing/hunting, & mining	-	0.0%	6,786	0.4%
Construction	286	4.0	102,566	5.8
Manufacturing	1,009	13.9	197,445	11.2
Wholesale trade	131	1.8	43,172	2.4
Retail trade	577	8.0	193,133	11.0
Transportation and warehousing, and utilities	334	4.6	66,436	3.8
Information	170	2.3	43,327	2.5
Finance, insurance, real estate, rental & leasing	920	12.7	165,347	9.4
Professional, scientific, management, administrative, and waste mgmt services	819	11.3	190,556	10.8
Education, health and social services	1,829	25.3	459,463	26.1
Arts, entertainment, recreation, accommodation and food services	648	9.0	145,799	8.3
Other services (except public administration)	180	2.5	80,847	4.6
Public Administration	337	4.7	67,830	3.8
Total Labor Force, Employed	7,240	100.0%	1,762,707	100.0%

Source: U.S. Census Bureau, 2008-2012 American Community Survey

**Employment Data
By Place of Residence**

Period	Town of East Hampton		Percentage Unemployed		
	Employed	Unemployed	Town of East Hampton	Hartford Labor Market	State of Connecticut
September 2014	6,799	343	4.8	5.9	5.9
Annual Average					
2013	6,631	494	6.9	7.9	7.8
2012	6,660	530	7.4	8.4	8.3
2011	6,772	591	8.0	8.8	8.9
2010	6,716	607	8.3	9.4	9.3
2009	6,702	590	8.1	8.3	8.2
2008	6,778	409	5.7	5.7	5.6
2007	6,674	336	4.8	4.7	4.6
2006	6,553	313	4.6	4.6	4.4
2005	6,313	379	5.7	5.1	4.9
2004	6,125	318	4.9	5.2	4.9

Source: Department of Labor, State of Connecticut

Age Distribution of Housing

Year Built	Town of East Hampton		State of Connecticut	
	Units	Percent	Units	Percent
2010 or Later.....	-	0.0%	2,422	0.2%
2000 to 2009.....	1,088	19.8	99,443	6.7
1990 to 1999	565	10.3	110,651	7.4
1980 to 1989	1,264	23.0	193,255	13.0
1960 to 1979	898	16.4	402,508	27.1
1940 to 1959	719	13.1	334,535	22.5
1939 or earlier	956	17.4	342,631	23.1
Total.....	5,490	100.0%	1,485,445	100.0%
Percent Owner Occupied....		88.7%		68.3%

Source: U.S. Census Bureau, 2008-2012 American Community Survey

Housing Inventory

Type	Units	Percent
1-unit, detached.....	4,478	81.6%
1-unit, attached.....	234	4.3
2 units.....	100	1.8
3 or 4 units.....	183	3.3
5 to 9 units.....	306	5.6
10 or more units.....	95	1.7
Mobile home or other.....	94	1.7
Total Inventory.....	5,490	100.0%

Source: U.S. Census Bureau, 2008-2012 American Community Survey

Owner Occupied Housing Values

Specified Owner Occupied Units	Town of East Hampton		State of Connecticut	
	Number	Percent	Number	Percent
Less than \$50,000.....	117	2.7%	17,515	1.9%
\$50,000 to \$99,999.....	45	1.0	21,595	2.3
\$100,000 to \$149,999.....	187	4.3	60,303	6.5
\$150,000 to \$199,999.....	560	12.8	129,791	14.0
\$200,000 to \$299,999.....	1,624	37.1	272,261	29.3
\$300,000 to \$499,999.....	1,557	35.6	262,321	28.2
\$500,000 to \$999,999.....	260	5.9	121,757	13.1
\$1,000,000 or more.....	25	0.6	44,017	4.7
Total.....	4,375	100.0%	929,560	100.0%
Median (dollars).....	\$ 273,900		\$ 285,900	

Source: U.S. Census Bureau, 2008-2012 American Community Survey

Building Permits

Fiscal Year Ending 6/30	Residential		Comm./Industrial		All Other ¹		Total	
	No.	Value	No.	Value	No.	Value	No.	Value
2014	805	\$ 7,769,668	50	\$ 1,428,156	5	\$ 240,600	860	\$ 9,438,424
2013	244	4,785,302	18	3,067,050	515	1,851,497	777	9,703,849
2012	315	4,444,500	17	592,004	546	2,016,422	878	7,052,926
2011	248	4,203,408	10	979,600	363	1,231,883	621	6,414,891
2010	275	5,621,683	17	990,800	456	1,518,455	748	8,130,938
2009	219	3,555,054	18	1,368,886	465	1,986,465	702	6,910,405
2008	305	8,097,710	21	1,338,540	582	2,739,212	908	12,175,462
2007	344	10,938,492	25	2,326,629	672	3,075,047	1,041	16,340,168
2006	434	15,451,891	16	4,958,000	722	5,412,242	1,172	25,822,133
2005	161	18,777,446	9	1,297,000	353	4,126,000	523	24,200,446

¹ In previous years Electrical, Mechanical, and Plumbing permits were reported in the "All Other" category. Starting in fiscal year 2014, they are classified in their respective categories.

Source: Town of East Hampton, Building Department

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IV. Tax Base Data

Property Tax – Assessments

The Town of East Hampton had a general property revaluation effective October 1, 2010. Under section 12-62 of the Connecticut General Statutes, the Town must do a revaluation every five years based on the generally accepted mass appraisal methods and a revaluation by physical inspection no later than ten years from the preceding physical inspection. Prior to the completion of each revaluation the Assessor shall conduct a field review. A 2006 statute permits a municipality, upon approval of its legislative body, to phase-in a real property assessment increase resulting from a revaluation over a period of up to five years. Various state statutes provide for or authorize exemptions, abatement and other adjustments to assessments. Section 12-62 also imposes a penalty on municipalities that fail to effect revaluations as required, with certain exceptions. Municipalities may choose to phase-in real property assessment increases resulting from a revaluation, but such phase-in must be implemented in less than five assessment years. The maintenance of an equitable tax base, and the location and appraisal of all real and personal property within the Town of East Hampton for inclusion onto the Grand List are the responsibilities of the Town's Assessor's Office. The Grand List represents the total of assessed values for all taxable and non taxable real and personal property and motor vehicles located within the Town on October 1. A Board of Assessment Appeals determines whether adjustments to the Assessor's list on assessments under appeal are warranted. Assessments for real property are computed at 70 percent of the estimated market value at the time of the last general revaluation, while assessments for personal property and motor vehicles are computed at 70 percent of the annual appraisal value.

When a new structure, or modification to an existing structure is undertaken, the Assessor's Office receives a copy of the permit issued by the Building Inspector. A physical appraisal is then completed and the structure is classified and priced from a schedule developed at the time of the last revaluation. Property depreciation and obsolescence factors are also considered when arriving at an equitable value.

All personal property (furniture, fixtures, equipment, and machinery) is revalued annually. An assessor's check and audit is completed periodically.

Motor vehicle lists are furnished to the Town by the State of Connecticut and appraisals of motor vehicles are accomplished in accordance with an automobile price schedule as recommended by the State of Connecticut Office of Policy and Management. Section 12-71b of the Connecticut General Statutes provides that motor vehicles which are registered with the Commissioner of Motor Vehicles after the October 1 assessment date but before the next July 1 are subject to a property tax as if the motor vehicle has been included on the October 1 Grand List. The tax is prorated, and the proration is based on the number of months of ownership between October 1 and the following July 1. Motor vehicles purchased in August and September are not taxed until the next October 1 Grand List. If the motor vehicle replaces a motor vehicle that was taxed on the October 1 Grand List, the taxpayer is entitled to certain credits.

Property Tax - Collection Procedure

Taxes for the fiscal year are levied on the grand list of the prior October 1. Real property taxes are payable in two installments on July 1 and January 1. Personal property taxes and motor vehicle taxes are payable in one installment on July 1; motor vehicle supplemental bills are payable on January 1. Payments not received by August 1 and February 1 become delinquent, with interest charged at the rate of 1.50% per month from the due date of the tax. In accordance with State law, the oldest outstanding tax is collected first. Outstanding real estate tax accounts are lien-ed each year prior to June 30 with legal demands and alias tax warrants used in the collection of personal property and motor vehicle tax bills. Delinquent motor vehicle and personal property accounts are transferred to a suspense account after three years at which time they cease to be carried as receivables. Real estate accounts are transferred to suspense 15 years after the due date in accordance with State statutes.

Comparative Assessed Valuations

Grand List As Of 10/1	Residential Real Property (%)	Commercial & Industrial Real Property (%)	Land (%)	Personal Property (%)	Motor Vehicles (%)	Gross Taxable Grand List	Less Exemptions	Net Taxable Grand List
2013	80.4	5.50	3.00	2.50	8.70	\$ 1,142,151,314	\$ 6,094,685	\$ 1,136,056,629
2012	80.6	5.50	3.00	2.30	8.60	1,133,427,986	5,923,503	1,127,504,483
2011	80.4	5.50	3.00	2.30	8.80	1,132,004,757	6,340,944	1,125,663,813
2010 ¹	80.6	5.60	3.20	2.30	8.30	1,127,640,132	6,305,275	1,121,334,857
2009	81.2	5.50	3.10	2.20	8.00	1,153,270,884	5,810,031	1,147,460,853
2008	80.9	5.50	3.30	2.30	8.00	1,146,719,549	4,795,010	1,141,924,539
2007	80.8	5.40	3.50	2.20	8.00	1,129,602,308	4,356,160	1,125,246,148
2006	81.1	5.30	3.40	2.20	8.00	1,100,098,337	4,100,630	1,095,997,707
2005 ¹	81.7	4.80	3.80	1.80	7.90	1,069,892,119	3,574,670	1,066,317,449
2004	77.2	5.70	3.80	2.80	10.50	734,167,778	3,905,340	730,262,438

¹ Revaluation.

Source: Town of East Hampton, Assessor's Office.

Note: Connecticut General Statutes Section 12-81(72) exempts new manufacturing equipment from property taxation by the Town. The State of Connecticut will directly reimburse the Town for some of the foregone taxes.

Exempt Property

Public	As of 10/1/13 ¹
Town owned.....	\$ 55,637,093
Volunteer Fire Company.....	1,689,140
State owned.....	18,578,690
Sub-Total Public.....	75,904,923
Private	
Educational, charitable.....	3,274,910
Cemeteries.....	837,260
House of religious worship.....	6,692,120
Parish houses/church schools.....	-
Officiating clergymen houses.....	-
Non-profit camps and recreational facility.....	-
Private Colleges and Hospitals	-
Sub-Total Private.....	\$ 10,804,290
Total Exempt Property.....	\$ 86,709,213
Percent Net Taxable Grand List.....	7.63%

¹ Net Taxable Grand List October 1, 2013 of \$1,136,056,629.

Source: Town of East Hampton, Assessor's Office

Property Tax Levies and Collections

Grand List as of 10/1	Fiscal Year Ended 6/30	Net Taxable Grand List	Tax Rate (in Mills)	Adjusted Tax Levy	Percent of Annual Levy Collected at End of Fiscal Year	Percent of Annual Levy Uncollected at End of Fiscal Year	Percent of Annual Levy Uncollected As of 6/30/14
2013	2015 ¹	\$ 1,136,056,629	27.14	\$ 32,241,689	<i>IN COLLECTION</i>		
2012	2014 ¹	1,127,504,483	26.63	29,416,354	97.7	2.3	2.3
2011	2013	1,125,663,813	25.97	28,646,589	97.7	2.3	1.3
2010 ²	2012	1,121,334,857	25.68	28,705,137	98.0	2.0	0.8
2009	2011	1,147,460,853	24.98	28,743,643	97.9	2.1	0.5
2008	2010	1,141,924,539	24.01	27,465,527	97.9	2.1	0.3
2007	2009	1,125,246,148	23.81	26,929,975	98.1	1.9	0.2
2006	2008	1,095,997,707	23.30	25,714,934	98.6	1.4	0.1
2005 ²	2007	1,066,317,449	22.48	24,026,413	98.8	1.2	0.0
2004	2006	730,262,438	30.81	22,858,750	98.9	1.1	0.0
2003	2005	691,739,951	30.19	21,178,483	99.1	0.9	0.0

¹ Subject to audit.

² Revaluation.

Source: Town of East Hampton, Tax Collector

Ten Largest Taxpayers

Name of Taxpayer	Nature of Business	Taxable Valuation	Percent of Net Taxable Grand List ¹
Connecticut Light and Power.....	Utility	\$ 14,790,370	1.30%
Landmark East Hampton LLC.....	Mall	7,400,000	0.65%
Hampton 66 LLC.....	Real Estate	3,309,880	0.29%
Skyline Estates LLC.....	Developer	2,653,600	0.23%
East High St Realty LLC	Real Estate	2,336,370	0.21%
Global Self Storage LW.....	Commercial	2,290,167	0.20%
Rechovos Corporation.....	Developer	2,252,060	0.20%
Edward Jackowitz/American Distilling.....	Manufacturer	2,228,560	0.20%
Pauls & Sandy's Too, Inc.....	Commercial/Farm	2,068,580	0.18%
Z Inc.....	Rest Home	1,768,000	0.16%
Total.....		\$ 41,097,587	3.62%

¹ Net Taxable Grand List October 1, 2013 of \$1,136,056,629.

Source: Town of East Hampton, Assessor's Office

V. Debt Summary

Principal Amount of Indebtedness As of December 19, 2014 (Pro Forma)

<i>Date</i>	<i>Purpose</i>	<i>Interest Rate %</i>	<i>Original Issue</i>	<i>Amount Outstanding</i>	<i>Fiscal Year of Maturity</i>
General Purpose					
02/01/2006	General Purpose.....	3.40-5.00	\$ 2,249,800	\$ 799,800	2021
04/15/2009	General Purpose.....	2.50-4.50	2,985,000	2,185,000	2029
08/15/2013	General Purpose.....	2.00-4.00	2,545,000	2,405,000	2034
	Sub-total.....		\$ 7,779,800	\$ 5,389,800	
Schools					
08/15/2002	School Bonds.....	3.00-4.125	\$ 2,102,000	\$ 375,000	2018
02/01/2006	School Bonds.....	3.40-5.00	213,000	93,000	2021
08/15/2013	School Bonds.....	2.00-4.00	1,340,000	1,270,000	2034
	Sub-total.....		\$ 3,655,000	\$ 1,738,000	
Sewers					
06/30/2002	Clean Water Fund Bonds.....	2.00%	503,694	199,913	2022
	Sub-total.....		\$ 503,694	\$ 199,913	
Water					
02/01/2006	Water Bonds.....	3.40-5.00	\$ 712,200	\$ 307,200	2021
	Sub-total.....		\$ 712,200	\$ 307,200	
	Total.....		\$ 12,650,694	\$ 7,634,913	

Note: The table above excludes refunded bonds.

Short-Term Debt As of December 19, 2014 (Pro Forma)

<i>Project</i>	<i>Amount Authorized</i>	<i>THIS ISSUE:</i>
		<i>Notes Due: 12/18/2015</i>
Phase III and IV of Road Program.....	\$ 3,315,000	\$ 1,415,000
High School Renovations and Additions....	51,695,000	15,000,000
Total.....	\$ 55,010,000	\$ 16,415,000

**Annual Bonded Debt Maturity Schedule
As of December 19, 2014
(Pro Forma)**

Fiscal Year Ended 6/30	Existing Debt			Cumulative Principal Retired
	Principal Payments	Interest Payments	Total Debt Service	
2015 ¹	\$ 225,000	\$ 123,322	\$ 348,322	3.0%
2016	720,000	228,856	948,856	12.7%
2017	645,000	207,219	852,219	21.4%
2018	645,000	187,703	832,703	30.1%
2019	515,000	170,456	685,456	37.0%
2020	515,000	155,400	670,400	43.9%
2021	515,000	139,956	654,956	50.8%
2022	365,000	123,981	488,981	55.7%
2023	360,000	113,050	473,050	60.6%
2024	355,000	101,663	456,663	65.4%
2025	355,000	90,088	445,088	70.1%
2026	355,000	78,041	433,041	74.9%
2027	355,000	65,550	420,550	79.7%
2028	355,000	52,616	407,616	84.5%
2029	355,000	38,988	393,988	89.2%
2030	160,000	28,800	188,800	91.4%
2031	160,000	22,400	182,400	93.5%
2032	160,000	16,000	176,000	95.7%
2033	160,000	9,600	169,600	97.8%
2034	160,000	3,200	163,200	100.0%
Total	\$ 7,435,000	\$ 1,956,889	\$ 9,391,889	

¹ Excludes Clean Water Fund loans and \$815,000 of principal and \$136,356 of interest paid for the period of July 1, 2014 through December 19, 2014.

Overlapping/Underlying Debt

The Town of East Hampton does not have any overlapping or underlying debt.

**THE TOWN OF EAST HAMPTON HAS NEVER DEFAULTED IN THE PAYMENT OF
PRINCIPAL OR INTEREST ON ITS BONDS OR NOTES**

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Debt Statement
As of December 19, 2014
(Pro Forma)

Long-Term Debt Outstanding:

General Purpose	\$ 5,389,800
Schools	1,738,000
Sewers	199,913
Water.....	307,200
Total Long-Term Debt.....	7,634,913

Short-Term Debt:

Outstanding Bond Anticipation Notes (This Issue: Due December 18, 2015)	16,415,000
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Direct Debt.....	24,049,913
-------------------------	-------------------

Overlapping/Underlying Debt.....	-
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Overall Debt.....	24,049,913
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Less: School Construction Grants (As of 6/30/14) ¹	(153,204)
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Overall Net Debt.....	\$ 23,896,709
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¹ Represents actual school building grants receivable for previously issued school bonds under the pre-1996 State reimbursement program. See "School Projects" herein for more information.

Current Debt Ratios
As of December 19, 2014
(Pro Forma)

Population (2012) ¹	12,953
Net Taxable Grand List (10/1/13)	\$ 1,136,056,629
Estimated Full Value (70%).....	\$ 1,622,938,041
Equalized Net Taxable Grand List (10/1/12) ¹ ...	\$ 1,555,518,029
Income per Capita (2012) ¹	\$ 40,502

	Total Long		Overall
	Term Debt	Direct Debt	Net Debt
Per Capita	\$589.43	\$1,856.71	\$1,844.88
Ratio to Net Taxable Grand List	0.67%	2.12%	2.10%
Ratio to Estimated Full Value	0.47%	1.48%	1.47%
Ratio to Equalized Net Taxable Grand List	0.49%	1.55%	1.54%
Debt per Capita to Money Income per Capita 2010	1.46%	4.58%	4.56%

¹ U.S. Department of Commerce, Bureau of Census. American Community Survey 2008-2012.

² State of Connecticut, Office of Policy Management.

Bond Authorization

The Town of East Hampton has the power to incur indebtedness by issuing its bonds or notes as authorized by the General Statutes of the State of Connecticut subject to statutory debt limitations and the procedural requirements of the Town Charter. Bond and note issues are authorized by the Town Meeting upon the recommendation of the Town Council and the Board of Finance.

Temporary Financing

When general obligation bonds have been authorized, bond anticipation notes may be issued maturing in not more than two years (CGS Sec. 7-378). Temporary notes may be renewed up to ten years from their original date of issue as long as all project grant payments are applied toward payment of temporary notes when they become due and payable and the legislative body schedules principal reductions no later than the end of the third year and for each subsequent year during which such temporary notes remain outstanding. The term of the bond issue is reduced by the amount of time temporary financing exceeds two years, or, for sewer projects, by the amount of time temporary financing has been outstanding.

Temporary notes must be permanently funded no later than eleven years, or pursuant to Public Act No. 02-114, effective October 1, 2002, eight years from the initial borrowing date except for sewer notes issued in anticipation of State and/or Federal grants. If a written commitment exists, the municipality may renew the notes from time to time in terms not to exceed six months until such time that the final grant payments are received (CGS Sec. 7-378b).

Temporary notes may also be issued for up to fifteen years for certain capital projects associated with the operation of a waterworks system (CGS Sec. 7-244a) or a sewage system (CGS Sec. 7-264a). In the first year following the completion of the project(s), or in the sixth year (whichever is sooner), and in each year thereafter, the notes must be reduced by at least 1/15 of the total amount of the notes issued by funds derived from certain sources of payment.

Temporary notes may be issued in one year maturities for up to fifteen years in anticipation of sewer assessments receivable, such notes to be reduced annually by the amount of assessments received during the preceding year (CGS Sec. 7-269a).

Limitation of Indebtedness

Municipalities shall not incur indebtedness through the issuance of notes which will cause aggregate indebtedness by class to exceed the following:

General Purposes:	2.25 times annual receipts from taxation
School Purposes:	4.50 times annual receipts from taxation
Sewer Purposes:	3.75 times annual receipts from taxation
Urban Renewal Purposes:	3.25 times annual receipts from taxation
Unfunded Past Pension Purposes:	3.00 times annual receipts from taxation

In no case however, shall total indebtedness exceed seven times the base. "Annual receipts from taxation," (the "base,") are defined as total tax collections (including interest, and late payment of taxes) and state payments for revenue loss under CGS Sections 12-129d and 7-528.

The statutes also provide for exclusion from the debt limit calculation debt issued in anticipation of taxes; for the supply of water, gas, electricity; for the construction of subways for cables, wires and pipes; for the construction of underground conduits for cables, wires and pipes; and for two or more of such purposes. There are additional exclusions for indebtedness issued in anticipation of the receipt of proceeds from assessments levied upon property benefited by any public improvement and for indebtedness issued in anticipation of the receipt of proceeds from State or Federal grants evidenced by a written commitment or contract but only to the extent such indebtedness can be paid from such proceeds. The statutes also provide for exclusion from the debt limitation any debt to be paid from a funded sinking fund.

**Statement of Debt Limitation
As of December 19, 2014
(Pro Forma)**

Total Tax Collections (including interest and lien fees) for the year ended June 30, 2014 (subject to audit) \$ 30,162,908

Reimbursement for Revenue Loss On :

Tax relief for elderly for the year ended June 30, 2014 (subject to audit)¹..... -

BASE FOR DEBT LIMITATION COMPUTATION..... \$ 30,162,908

	General Purposes	Schools	Sewers	Urban Renewal	Unfunded Past Pension
Debt Limitation:					
2 1/4 times base.....	\$ 67,866,543	\$ -	\$ -	\$ -	\$ -
4 1/2 times base.....	-	135,733,086	-	-	-
3 3/4 times base.....	-	-	113,110,905	-	-
3 1/4 times base.....	-	-	-	98,029,451	-
3 times base.....	-	-	-	-	90,488,724
Total Debt Limitation	<u>\$ 67,866,543</u>	<u>\$ 135,733,086</u>	<u>\$ 113,110,905</u>	<u>\$ 98,029,451</u>	<u>\$ 90,488,724</u>

Less Indebtedness:

Bonds	5,389,800 ²	1,738,000	199,913	-	-
Notes (This Issue).....	1,415,000	15,000,000	-	-	-
Underlying Debt.....	-	-	-	-	-
Authorized But Unissued Debt.....	55,000	37,735,350	-	-	-
Total Indebtedness	<u>6,859,800</u>	<u>54,473,350</u>	<u>199,913</u>	<u>-</u>	<u>-</u>
Less: School Grants Receivable	-	(153,204) ³	-	-	-
Net Debt for Calculation of Debt Limit....	<u>6,859,800</u>	<u>54,320,146</u>	<u>199,913</u>	<u>-</u>	<u>-</u>
Debt Limitation in Excess of Outstanding And Authorized Debt....	<u>\$ 61,006,743</u>	<u>\$ 81,412,940</u>	<u>\$ 112,910,992</u>	<u>\$ 98,029,451</u>	<u>\$ 90,488,724</u>

¹ Does not include tax collections, if any, of coterminous municipalities permitted by statutes to be included in the base.

² Excludes \$307,200 in Water Bonds as allowed under Connecticut General Statutes.

³ Represents State of Connecticut School Construction Grants payable to the Town over the life school bond issues.

*Note: In no case shall total indebtedness exceed seven times annual receipts from taxation or \$211,140,356.

**Authorized but Unissued Debt
As of December 19, 2014
(Pro Forma)**

Project	Amount Authorized	Grants/ Paid-down	Bonds Issued	THIS ISSUE: Notes Due: 12/18/2015	Authorized but Unissued Debt
Ambulance Facility	\$ 700,000	\$ 682,000	\$ -	\$ -	\$ 18,000
HS Fire Alarm System; Water Distribution System HS, Middle School, Memorial Elem School.....	640,000	213,000	-	-	427,000
2004-2005 Public Works Projects.....	761,000	735,000	-	-	26,000
Land Acquisition.....	325,000	316,000	-	-	9,000
Flanders Road Improvements.....	1,557,000	1,555,000	-	-	2,000
Memorial School Rood & Oil Tank.....	3,440,000	1,486,650	1,340,000	-	613,350
Phase III and IV of Road Program.....	3,315,000	-	1,900,000	1,415,000	-
High School Renovations and Additions....	51,695,000	-	-	15,000,000	36,695,000
Total	<u>\$ 62,433,000</u>	<u>\$ 4,987,650</u>	<u>\$ 3,240,000</u>	<u>\$ 16,415,000</u>	<u>\$ 37,790,350</u>

¹ Excludes for State of Connecticut School Construction Grants.

² This project qualifies for State of Connecticut School Construction Grants of approximately 52.5% of eligible costs. It is anticipated that the Town's net share for the High School project will be \$28.3 million

**Principal Amount of Outstanding Debt
Last Five Fiscal Years**

Long-Term Debt	2014 Est.	2013	2012	2011	2010
Bonds	\$ 8,460,814	\$ 5,436,611	\$ 6,414,338	\$ 7,413,182	\$ 8,855,565
Short-Term Debt					
Bond Anticipation Notes...	-	3,140,000	-	-	-
Totals.....	\$ 8,460,814	\$ 8,576,611	\$ 6,414,338	\$ 7,413,182	\$ 8,855,565

Source: Town of East Hampton Financial Reports 2009-2013. Finance Department 2014.

Ratios of Net Long-Term Debt to Valuation, Population, and Income

Fiscal Year Ended 6/30	Net Assessed Value	Estimated Full Value	Direct Overall Debt ¹	Ratio of Direct Overall Debt to Assessed Value	Ratio of Direct Overall Debt to Estimated Full Value	Population ²	Net Long-Term Debt per Capita	Ratio of Net Long-Term Debt per Capita to Per Capita Income ³
2013	\$1,125,663,813	\$1,608,091,161	\$5,436,611	0.48%	0.34%	12,953	419.72	1.04%
2012	1,121,334,857	1,601,906,939	6,414,338	0.57%	0.40%	12,953	495.20	1.22%
2011	1,147,460,853	1,639,229,790	7,413,182	0.65%	0.45%	12,953	572.31	1.41%
2010	1,141,924,539	1,631,320,770	8,855,565	0.78%	0.54%	12,959	683.35	1.69%
2009	1,125,246,148	1,607,494,497	10,511,516	0.93%	0.65%	12,766	823.40	2.03%

¹ Includes State of Connecticut Clean Water fund debt along with

² State of Connecticut, Department of Public Health (2009). American Community Survey (2012) used for 2010-13.

³ Bureau of Census, American Community Survey (2012), Money Income Per Capita: \$40,502.

**Ratio of Total General Fund Debt Service Expenditures
To Total General Fund Expenditures and Transfers Out
Last Five Fiscal Years**

Fiscal Year Ended 6/30	Gross Debt Service	Total General Fund Expenditures ¹	Ratio of Net Debt Service to General Fund Expenditures (%)
2014 ²	\$ 1,076,026	39,955,137	2.7%
2013	1,133,973	38,587,070	2.9%
2012	1,175,897	40,983,878	2.9%
2011	1,661,969	40,529,465	4.1%
2010	1,908,876	39,318,971	4.9%

¹ Includes transfers out.

² Budgetary basis and subject to audit.

Source: Town of East Hampton Financial Reports 2010-13.

Fiscal Year 2014: Finance Department

Capital Improvement Plan

Project	Fiscal Year					Total
	2014	2015	2016	2017	2018	
Culture & Recreation.....	\$ 56,625	\$ 23,900	\$ 25,000	\$ 50,000	\$ 20,000	\$ 175,525
Education.....	192,983	307,590	251,300	218,000	143,000	1,112,873
General Government.....	115,500	60,843	355,000	355,000	300,000	1,186,343
Public Safety.....	105,675	177,000	132,000	132,000	157,000	703,675
Public Works.....	359,000	218,000	265,000	180,000	204,000	1,226,000
Debt stabilization.....	200,000	250,000	600,000	250,000	250,000	1,550,000
Total	\$ 1,029,783	\$ 1,037,333	\$ 1,628,300	\$ 1,185,000	\$ 1,074,000	\$ 5,954,416

Funding Sources						
Pay As You Go.....	\$ 876,783	\$ 941,333	\$ 1,283,300	\$ 1,090,000	\$ 979,000	\$ 5,170,416
Bonds.....	-	-	250,000	-	-	250,000
Grants.....	153,000	96,000	95,000	95,000	95,000	534,000
Total	\$ 1,029,783	\$ 1,037,333	\$ 1,628,300	\$ 1,185,000	\$ 1,074,000	\$ 5,954,416

Note: The Town is in the process of updating it's 5 year capital improvement plan for fiscal years 2016-2020. The numbers presented are preliminary at this time and subject to change.

In early spring of 2014 the Council passed a resolution creating a Facilities Evaluation Committee to study all the Town Facilities and provide recommendations to the Town Council by October 31, 2014. On October 28, 2014 the Committee provided a brief overview of the evaluations they undertook and their findings. The findings included the following, prioritized recommendations, to address facility issues with the Town Hall, Police Department, Center School and Fire House #2. Moreover, the committee provided information on financing, public private partnerships and overall costs for each of the recommendations. To date the Council has made a motion to accept the recommendations and is currently reviewing a building committee resolution with plans for more public input in January 2015.

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VI. Financial Administration

Fiscal Year

The Town's fiscal year begins July 1 and ends June 30.

Basis of Accounting

The financial statements of the Town of East Hampton, Connecticut have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Town has changed its financial reporting to comply with GASB Statement No. 34 beginning with its financial report for Fiscal Year ended June 30, 2004. Please refer to Appendix A "2013 Financial Statements" herein for compliance and implementation details.

The reporting model includes the following segments:

Management's Discussion and Analysis ("MD&A")— provides introductory information on basic financial statements and an analytical overview of the Town's financial activities.

Government-wide financial statements — consist of a statement of net assets and a statement of activities, which are prepared on the accrual basis of accounting. These statements report financial information for the Town as a whole excluding fiduciary activities.

Fund financial statements — provide information about the Town's governmental, proprietary and fiduciary funds. These statements emphasize major fund activity and, depending on the fund type, utilize different basis of accounting.

Required supplementary information — in addition to the MD&A, budgetary comparison schedules are presented for the General Fund.

Please refer to Appendix A "2013 Financial Statements" herein for measurement focus and basis of accounting of the government-wide financial statements as well as the fiduciary fund financial statements of the Town of East Hampton.

Budget Procedure

The Town Council submits to the Board of Finance a policy statement outlining its annual budget goals and objectives for the ensuing fiscal year.

The Town Manager compiles preliminary estimates for all departments and agencies, with the exception of the Board of Education, for the annual budget for presentation to the Board of Finance. The Board of Education submits its estimates directly to the Board of Finance.

The Board of Finance compiles a total budget based upon the Town Council's policy statement and the financial availability of Town funds, holds one or more public hearings on its proposal, and presents a recommended budget to the Town Council no later than April 15. After making alterations or reductions as they deem necessary, the Council submits its proposed budget to the Town Meeting for approval.

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

Audit

Pursuant to the Municipal Auditing Act (Chapter 111 of the Connecticut General Statutes), the Town is obligated to undergo an annual examination by an independent certified public accountant. The audit must be conducted under the guidelines issued by the State of Connecticut, Office of Policy and Management, and a copy of said audit report must be filed with the Office of Policy and Management. The Town of East Hampton is in full compliance with said provisions. For the fiscal year ended June 30, 2013, the financial statements of the Town were audited by the firm of Cohn Reznick LLP, Accountants of Farmington, Connecticut.

Certificate of Achievement for Excellence in Financial Reporting: The Town of East Hampton has received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association ("GFOA") of the United States and Canada for its comprehensive annual financial reports for fiscal year ended June 30, 2013. To be eligible for the award, financial reports must include general purpose financial statements presented in conformity with GAAP, and have been audited in accordance with generally accepted auditing standards. The reports also contain statistical information useful in evaluating the financial condition of a government and conform to certain generally accepted formatting standards established for the Certificate Program. The Town has submitted its financial statements for fiscal year ended June 30, 2012 to the GFOA to determine its eligibility for another certificate.

Pensions

Public Employee Retirement System

The Town of East Hampton is the administrator of a single-employer Public Employee Retirement System (PERS) established and administered by the Town to provide pension benefits for its employees. The plan is accounted for in the fiduciary fund financial statements as a pension trust fund.

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

<i>Fiscal Year Ended</i>	<i>Annual Pension Cost (APC)</i>	<i>Actual Contribution</i>	<i>% of APC Contributed</i>
6/30/2011	\$787,261	\$847,761	107.68%
6/30/2012	746,829	809,304	108.37%
6/30/2013	815,329	829,183	101.70%
6/30/2014	952,198	953,000	100.08%
6/30/2015	980,548	980,548	100.00%

Note: The contributions for Fiscal Year 2015 are budgeted amounts.

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets (a)</i>	<i>Actuarial Accrued Liability (AAL) (b)</i>	<i>Unfunded AAL (b-a)</i>	<i>Funded Ratio (a/b)</i>
7/1/2009	\$17,979,527	\$21,634,148	(\$3,654,621)	83.11%
7/1/2010	19,798,223	22,936,498	(\$3,138,275)	86.32%
7/1/2011	20,676,026	24,121,912	(\$3,445,886)	85.71%
7/1/2012	20,819,841	25,902,904	(\$5,083,063)	80.38%
7/1/2013	23,077,002	28,787,762	(\$5,710,760)	80.16%

Statute of Connecticut Teachers' Retirement System

The faculty and professional personnel of the Board of Education participate in a contributory defined benefit plan, established under Chapter 167a of the Connecticut General Statutes, which is administered by the Connecticut State Teachers' Retirement Board. A teacher is eligible to receive normal retirement benefits if he or she has attained age sixty and has accumulated twenty years of credited service in the public schools of Connecticut or has attained any age and has accumulated thirty-five years of credited services, at least twenty-five of which are service in the public schools of Connecticut. The State of Connecticut Teachers' Retirement System is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial report as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, CT 06106.

Certain part-time and full-time certified teachers are eligible to participate in the plan and are required to contribute 7.25% of their annual earnings to the plan. The Town does not and is not legally responsible to contribute to the plan. After five years of service, teachers are fully vested in their own contributions.

Please refer to the Town of East Hampton's "Notes to Basic Financial Statements", in "Appendix A" herein for further information on the Town's Pension Plan.

Other Post-Employment Benefits (OPEB)

The Town administers one single-employer, post-employment retirement benefit healthcare plan for the Board of Education. The plan provides medical and dental benefits for all Board of Education retirees and their spouses. Benefits and contribution are established by contract and may be amended by union negotiations. Administration costs are financed from investment earnings. The plan does not issue standalone financial reports.

The Town has obtained an actuarial valuation of OPEB liability and costs under GASB 45 as of July 1, 2013:

<i>Fiscal Year Ended</i>	<i>Annual OPEB Cost (AOC)</i>	<i>Actual Contribution</i>	<i>% of APC Contributed</i>
6/30/2011	\$515,000	\$288,000	55.92%
6/30/2012	545,000	288,000	52.84%
6/30/2013	497,000	225,000	45.27%
6/30/2014	527,000	232,000	44.02%

Note: The contributions for Fiscal Year 2015 are budgeted amounts.

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets (a)</i>	<i>Actuarial Accrued Liability (AAL) (b)</i>	<i>Unfunded AAL (b-a)</i>	<i>Funded Ratio (a/b)</i>
6/30/2009	\$0	\$6,071,000	(\$6,071,000)	0.00%
7/1/2011	\$0	5,525,000	(5,525,000)	0.00%
7/1/2013	\$0	5,973,888	(5,973,888)	0.00%

Investment Policies and Practices

The Town Charter and Sections 7-400 and 7-402 of the Connecticut General Statutes govern the investments the Town is permitted to acquire. Generally, the Town may invest in certificates of deposit, municipal bonds and notes, obligations of the United States of America, including joint and several obligations of the Federal Home Loan Mortgage Association, the Federal Savings and Loan Insurance Corporation, obligations of the United States Postal Service, all the Federal Home Loan Banks, all Federal Land Banks, the Tennessee Valley Authority, or any other agency of the United States government and money market mutual funds.

The Town's new investment practices are in compliance with its Charter and the Connecticut General Statutes.

General Fund Revenues and Expenditures
Five Year Summary of Audited Revenues and Expenditures (GAAP Basis)
And Estimated Actuals and Adopted Budget (Budgetary Basis)

	Adopted Budget 2014-15 ¹	Estimated Actuals 2013-14 ¹	Actual 2012-13	Actual 2011-12	Actual 2010-11	Actual 2009-10	Actual 2008-09
Revenues:							
Property Taxes	\$ 31,130,433	\$30,227,688	\$29,330,074	\$29,094,729	\$28,900,523	\$27,402,725	\$26,977,875
Intergovernmental	8,620,788	9,119,082	9,027,336	11,601,455	11,369,957	11,353,306	11,503,080
Investment Income.....	25,000	16,738	20,298	25,612	31,700	79,277	140,167
Charges for Services.....	447,645	529,500	482,567	480,281	428,534	550,402	433,741
State on-behalf payments	-	-	-	-	-	-	-
Other	62,060	30,792	19,452	12,302	65,998	22,395	35,086
Total Revenues	40,285,926	39,923,800	38,879,727	41,214,379	40,796,712	39,408,105	39,089,949
Expenditures:							
General government	3,527,383	3,434,786	3,387,759	3,162,339	3,375,948	3,025,162	2,967,330
Public Safety	2,252,873	2,178,837	2,176,522	2,110,955	2,170,438	2,044,774	2,030,898
Public Works and Utilities.....	2,191,778	2,028,772	2,029,684	1,938,654	1,901,285	1,906,908	1,856,880
Culture and Recreation.....	1,003,806	943,055	931,807	918,883	917,463	918,353	890,904
Civic and Human Services.....	413,007	383,307	378,220	373,904	361,852	351,367	337,994
Regulatory.....	377,601	378,159	364,173	359,986	430,430	449,453	393,412
Education	28,265,097	28,009,279	27,174,164	29,238,599	28,545,580	27,509,315	27,066,537
Debt Service	1,299,680	1,076,026	1,133,973	1,175,897	1,661,969	1,908,876	1,910,926
Total Expenditures	39,331,225	38,432,221	37,576,302	39,279,217	39,364,965	38,114,208	37,454,881
Revenues over (under) expenditures	954,701	1,491,579	1,303,425	1,935,162	1,431,747	1,293,897	1,635,068
Other Financing Sources Uses:							
Operating Transfers In	-	-	-	-	-	-	-
Operating Transfers (Out)	(954,701)	(1,522,916)	(1,010,768)	(1,704,661)	(1,164,500)	(1,804,763)	(1,612,226)
Total other Financing Sources (uses)	(954,701)	(1,522,916)	(1,010,768)	(1,704,661)	(1,164,500)	(1,804,763)	(1,612,226)
Revenues and other financing sources over (under) expenditures and other financing (uses)	-	(31,337)	292,657	230,501	267,247	(510,866)	22,842
Fund Balance, Beginning	4,842,475	4,873,812	4,581,155	4,350,654	4,083,407	4,594,273	4,571,431
Fund Balance , Ending	\$ 4,842,475	\$ 4,842,475	\$ 4,873,812	\$ 4,581,155	\$ 4,350,654	\$ 4,083,407	\$ 4,594,273

¹ Budgetary basis and subject to audit.

Analysis of General Fund Balance

	Adopted Budget 2014-15 ¹	Estimated Actuals 2013-14 ¹	Actual 2012-13	Actual 2011-12	Actual 2010-11	Actual 2009-10	Actual 2008-09
Nonspendable.....	N/A	\$ -	\$ -	\$ 215,550	\$ -	\$ -	\$ -
Committed-BOE.....	N/A	-	-	-	-	-	1,687
Assigned.....	N/A	-	-	-	-	-	-
Unassigned.....	N/A	4,877,354	4,873,812	4,365,605	4,350,654	4,083,407	4,592,586
Total Fund Balance.....	\$ -	\$ 4,877,354	\$ 4,873,812	\$ 4,581,155	\$ 4,350,654	\$ 4,083,407	\$ 4,594,273

¹ Budgetary basis and subject to audit.

VII. Legal And Other Information

Litigation

During the normal course of business, claims against the Town arise from personal injury suits, contract disputes, property damage claims, and other normal type claims related to a municipality. It is the opinion of the Town's attorney that the ultimate liability of the Town for these cases currently pending will not have a materially adverse effect upon the Town's financial position.

Documents Furnished At Delivery

The original purchaser(s) will be furnished the following documents when the Notes are delivered:

1. A Signature and No Litigation Certificate stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Notes or the levy or collection of taxes to pay them.
2. A certificate on behalf of the Town, signed by the Chairman of the Town Council, the Town Manager and Finance Director/Treasurer which will be dated the date of delivery and attached to a signed copy of the Official Statement, and which will certify, to the best of said officials' knowledge and belief, that at the time the bids were awarded for the Notes, the descriptions and statements in the Official Statement relating to the Town and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the Town from that set forth in or contemplated by the Official Statement.
3. Receipts for the purchase price of the Notes.
4. The approving opinion of Day Pitney LLP, Bond Counsel, of Hartford, Connecticut.
5. An executed Continuing Disclosure Agreement for the Notes in substantially the form attached hereto as Appendix C to this Official Statement.
6. The Town of East Hampton has prepared an Official Statement for the Notes which is dated December __, 2014. The Town deems such Official Statement final as of its date for purposes of SEC Rule 15c2-12 (b)(1), but it is subject to revision or amendment. The Town will make available to the winning bidder(s) of the Notes five (5) copies of the final Official Statement at the Town's expense. The copies of the Official Statement will be made available to the winning bidder(s) at the office of the Town's financial advisor no later than seven business days of the bid opening. If the Town's financial advisor is provided with the necessary information from the winning purchaser by noon of the day following the day bids on the Notes are received, the copies of the final Official Statement will include an additional cover page and other pages indicating the interest rates, yields or reoffering prices, the name of the managing underwriter, the name of the insurer, if any, and any changes on the Securities. The purchasers shall arrange with the financial advisor the method of delivery of the copies of the Official Statement to the purchasers.

A record of the proceedings taken by the Town in authorizing the Notes will be kept on file at offices of U.S. Bank National Association, and may be examined upon reasonable request.

Concluding Statement

To the extent that any statements made in this Official Statement involve matters of opinion or estimates, such statements are made as such and not as representations of fact or certainty, and no representation is made that any of such statements will be realized. Information herein has been derived by the Town from official and other sources and is believed by the Town to be reliable, but such information other than that obtained from official records of the Town has not been independently confirmed or verified by the Town and its accuracy is not guaranteed.

This Official Statement has been duly prepared and delivered by the Town, and executed for and on behalf of the Town by the following officials:

TOWN OF EAST HAMPTON, CONNECTICUT

By:

Barbara Moore, *Chairman of the Town Council*

By:

Michael Maniscalco, *Town Manager*

By:

Jeffery M. Jylkka, *Finance Director/Treasurer*

Dated: December __, 2014

Appendix A

2013 Financial Statements

Excerpted from the Town's Comprehensive Annual Financial Report

The following includes the General Purpose Financial Statements of the Town of East Hampton, Connecticut for the fiscal year ended June 30, 2013. The supplemental data that was a part of that report has not been reproduced herein. A copy of the complete report is available upon request from Matthew A. Spoerndle, Managing Director, Phoenix Advisors, 53 River Street, Suite 3, Milford, Connecticut 06460. Telephone (203) 878-4945.

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

of the

**TOWN OF EAST HAMPTON,
CONNECTICUT**

YEAR ENDED

JUNE 30, 2013

**PREPARED BY:
THE FINANCE DEPARTMENT**

JEFFERY M. JYLKKA, FINANCE DIRECTOR

Town of East Hampton, Connecticut

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Introductory Section

Town of East Hampton, Connecticut

List of Principal Officials June 30, 2013

TOWN COUNCIL

Susan B. Weintraub, Chairperson
Glenn S. Suprono, Vice Chairman
Kyle R. Dostaler
Ted Hintz, Jr.
Derek M. Johnson
Barbara W. Moore
George Pfaffenbach

BOARD OF FINANCE

Matthew Walton, Chairman
Tim Csere, Vice Chairperson
Patience Anderson
Mary Ann Dostaler
Dave Monighetti
Tom O'Brien
Ted Turner

BOARD OF EDUCATION

Mark Laraia, Chairman
Kenneth Barber
Joanne Barmasse
Donald Coolican
Glen Gemma
Carol Lane
William Marshall
Scott Minnick
Josh Piteo

Superintendent of Schools

Dr. Judith Golden

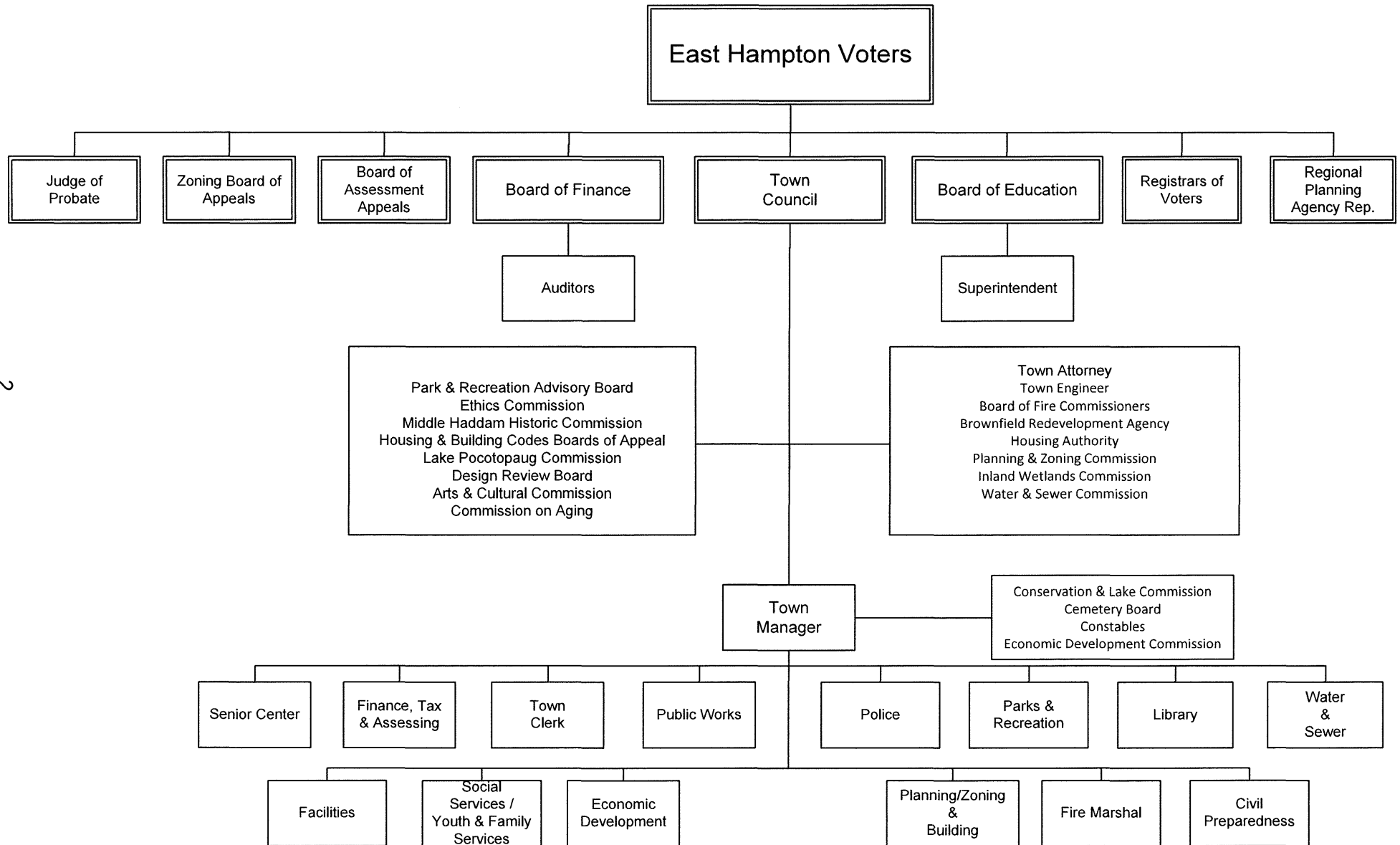
EAST HAMPTON ADMINISTRATIVE OFFICIALS

Michael Maniscalco, Town Manager

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

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

2



Michael Maniscalco

Town Manager
860.267.4468

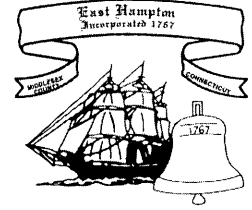
Jeffery M. Jylkka

Finance Director
860.267.7548

TOWN OF EAST HAMPTON

20 East High Street

East Hampton, CT 06424



December 26, 2013

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

The Finance Department is pleased to present the Comprehensive Annual Financial Report (CAFR) of the Town of East Hampton for the year ended June 30, 2013. The report includes the independent auditor's report as required by Connecticut Statutes. The report is prepared in conformity with generally accepted accounting principles (GAAP) and standards set forth by the Governmental Accounting Standards Board (GASB).

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

CohnReznick LLP, a public accounting firm fully licensed and qualified to perform audits of municipalities within the State of Connecticut, have audited the financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of East Hampton, Connecticut for the fiscal year ended June 30, 2013, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Town of East Hampton's financial statements for the fiscal year ended June 30, 2013, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of the Town of East Hampton

The Town covers an area of 36.8 square miles in east central Connecticut and is on the east bank of the Connecticut River, approximately 21 miles south of Hartford. East Hampton's topography is dominated by numerous hills interspersed with winding stream valleys and level wetland areas. The Town is traversed by State Routes 16, 66, 151, and 196. Route 66 provides access to Route 2 and Hartford as well as Middletown. There are approximately 91 miles of Town roads. The State maintains approximately 35 miles of highway in East Hampton. The 2013 population was 12,940. The Town was originally settled in 1710.

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

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

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

Local Economy and Major Initiatives

East Hampton is a residential community with a light industrial tax base and limited seasonal resorts. Principal industries include manufacture of bells, pharmaceuticals, tools and dies, and forestry. East Hampton has been fortunate that foreclosure rates are below regional, state and national levels. Unemployment rates have remained unchanged from the prior year at 7.5% and are below regional, state and national levels. East Hampton's existing development has occurred primarily on the major roadways, Routes 16, 151, and particularly, Route 66. Principal non-residential development has occurred in three historic centers – Cobalt, Middle Haddam, and East Hampton Center. High-density residential development is concentrated around East Hampton Center and Lake Pocotopaug. Approximately 720 acres remain as active farmland, mostly as field crops.

A \$51,695,000 High School renovation project was approved by the voters on June 4, 2013 and construction is expected to begin in November 2014. Construction of a performance gazebo located at Sears Park as well as for improvements to the Airline Trail were completed during the year. These projects were funded by two Small Town Economic Assistance Program (STEAP) grants. During the year the Town received a \$200,000 STEAP grant that is being used to fund a roof reconstruction project for Epoch Arts, an "arts for youth" non-profit organization. Phase 1 of a major road improvement program is complete. Phase II through IV will continue through the end of fiscal year 2016.

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

The Town of East Hampton is well positioned to accept and meet the challenges posed by the 21st century. The Town has a low debt burden which is planned for quick retirement; its pension plans remain at high funding levels. Conservative budgeting practices has enabled the Town to maintain its unassigned fund balance, which represents 12.6% of general fund budgetary expenditures and transfers out. These facts are echoed within the municipal credit industry. The Town maintained its "Aa3" debt rating from Moody's Investor Service. In July 2013 Standard & Poor's Ratings Services upgraded the Town's debt rating from "AA" to "AA+".

Long-Term Financial Planning

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

The Town issued \$3,885,000 of long-term debt during fiscal year 2014 to finance the Memorial School roof, and oil tank replacement projects, a fire truck and road improvement projects.

Relevant Financial Policies

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

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

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

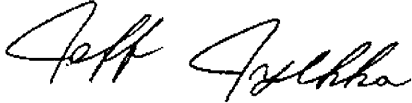
Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012, which was the second award the Town has received. In order to be awarded a Certificate of Achievement, the Town published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jeff Jylkka". The signature is fluid and cursive, with the first name "Jeff" and last name "Jylkka" clearly distinguishable.

Jeffery M. Jylkka
Finance Director



Government Finance Officers Association

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

Presented to

**Town of East Hampton
Connecticut**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

Financial Section

Independent Auditor's Report

Board of Finance
Town of East Hampton, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of East Hampton, Connecticut, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of East Hampton, Connecticut, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Schedules of Funding Progress and Employer Contributions of the East Hampton Retirement System and Other Post Employment Benefit Plan on pages 11-20 and pages 61 and 62, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2013, on our consideration of the Town of East Hampton, Connecticut's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of East Hampton, Connecticut's internal control over financial reporting and compliance.

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

Farmington, Connecticut
December 26, 2013

Michael Maniscalco

Town Manager
860.267.4468

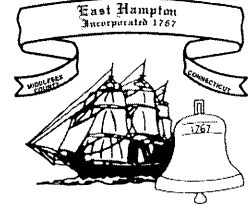
Jeffery M. Jylkka

Finance Director
860.267.7548

TOWN OF EAST HAMPTON

20 East High Street

East Hampton, CT 06424



Management's Discussion and Analysis Year Ended June 30, 2013

As management of the Town of East Hampton, we offer readers of the Town of East Hampton's financial statements this narrative overview and analysis of the financial activities of the Town of East Hampton for the fiscal year ended June 30, 2013.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$83,469,381 (*net position*). Of this amount, \$11,940,565 (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- Unrestricted net position increased from last year due to decreases in the restricted amounts in the beneficial assessments and public works funds.
- The Town's total net position increased by \$1,778,194. The increase is due substantially to capital assets additions in excess of depreciation expense.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$13,221,739, an increase of \$2,008,953 in comparison with the prior year. This increase is a result of positive operations of \$292,657 in the general fund and positive operating activity in the capital initiatives fund of \$1,493,767. The general fund results were due substantially to expenditures less than budgeted and the capital initiatives was due substantially to the issuance bonds which permanently financed bond anticipation notes of \$3,140,000. The issuance of debt was offset with expenditures for construction costs associated with the Memorial School roof and oil tank projects and Senior Center renovations. Of the total fund balance, \$8,347,927 is nonspendable, restricted, committed or assigned, leaving an *unassigned fund balance* in the amount of \$4,873,812.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,873,812, an increase of \$292,657 in comparison with the prior year. This represents 12.6% of total budgetary general fund expenditures and transfers out.

Overview of the Basic Financial Statements

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

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

Management's Discussion and Analysis (continued)

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

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

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

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

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

Fund financial statements. The fund financial statements provide detailed information about the most significant funds; not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Town establishes many other funds to help it maintain control and manage money that have been segregated for specific activities or objectives. Funds are also established to ensure and demonstrate compliance with finance related legal requirements for using certain grants. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

The Town reports 21 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and

changes in fund balances for the general fund, capital initiatives fund and capital reserve fund all of which are considered to be major funds. Data from the other 18 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in Schedules 5 and 6 in this report.

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

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

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

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees.

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. The Town's combined net position increased by 2.2% from a year ago – increasing from \$81,691,187 to \$83,469,381.

By far the largest portion of the Town's net position (83.01%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary Statement of Net Position
June 30, 2013 and 2012

	2013	2012
Current and other assets	\$ 19,833,462	\$ 17,823,428
Capital assets, net	78,248,847	76,537,664
Total assets	98,082,309	94,361,092
Deferred outflows of resources:		
Deferred charge on refunding	44,453	69,856
Long-term liabilities outstanding	10,989,072	8,676,276
Other liabilities	3,668,309	4,063,485
Total liabilities	14,657,381	12,739,761
Net investment in capital assets	69,287,816	70,148,958
Restricted	2,241,000	3,183,000
Unrestricted	11,940,565	8,359,229
Total net position	\$ 83,469,381	\$ 81,691,187

A portion of the Town's net position (2.68%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (14.31%) may be used to meet the Town's ongoing obligations to citizens and creditors.

The Town's net position increased by \$1,778,194. Key elements of this increase are as follows:

**Statement of Changes in Net Position
Years Ended June 30, 2013 and 2012**

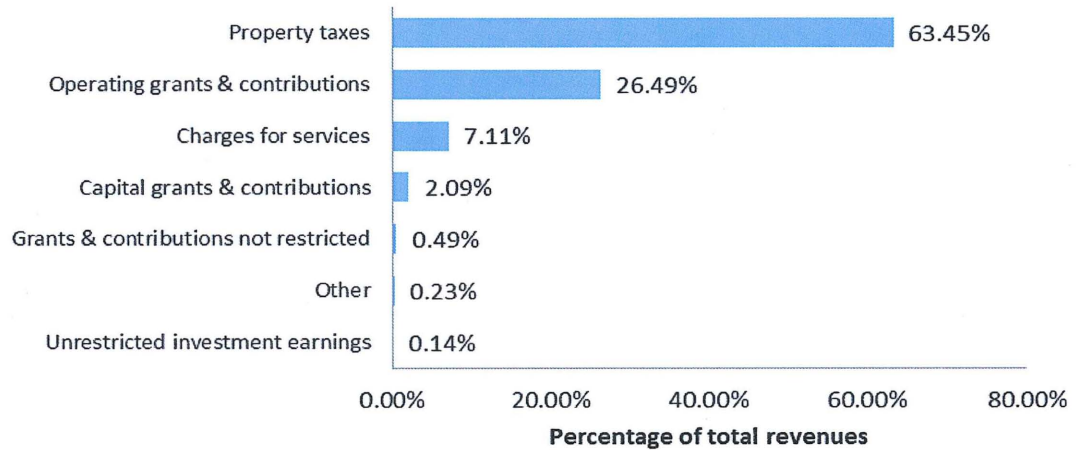
	2013	2012
Revenues:		
Program revenues:		
Charges for services	\$ 3,332,163	\$ 3,374,160
Operating grants and contributions	12,414,880	12,786,216
Capital grants and contributions	981,075	1,422,995
General revenues:		
Property taxes	29,729,485	29,054,004
Grants and contributions not restricted to specific programs	227,704	229,541
Investment income	65,317	47,794
Other	107,431	66,258
Total revenues	<u>46,858,055</u>	<u>46,980,968</u>
Expenses:		
General government	2,663,044	2,447,985
Public safety	2,618,870	2,823,334
Civic and human services	458,228	436,539
Public works and utilities	5,297,481	5,364,060
Education	32,105,361	31,579,590
Regulatory	436,731	424,570
Culture and recreation	1,303,462	1,439,916
Interest	196,684	259,279
Total expenses	<u>45,079,861</u>	<u>44,775,273</u>
Change in net position	1,778,194	2,205,695
Net position - July 1	<u>81,691,187</u>	<u>79,485,492</u>
Net position - June 30	<u><u>\$83,469,381</u></u>	<u><u>\$ 81,691,187</u></u>

- The \$675,481 increase in property taxes was due to increase in the budget and, therefore, the related tax levy.
- Education expenses increased by \$525,771 primarily as a result of increases in contractual obligations, including teachers' salaries and benefits and retirement plan contributions made by the State on-behalf of the Town's teachers.
- Operating grants and contributions decreased by \$371,336 substantially due to a decrease in the town aid road grant as compared to the prior year.

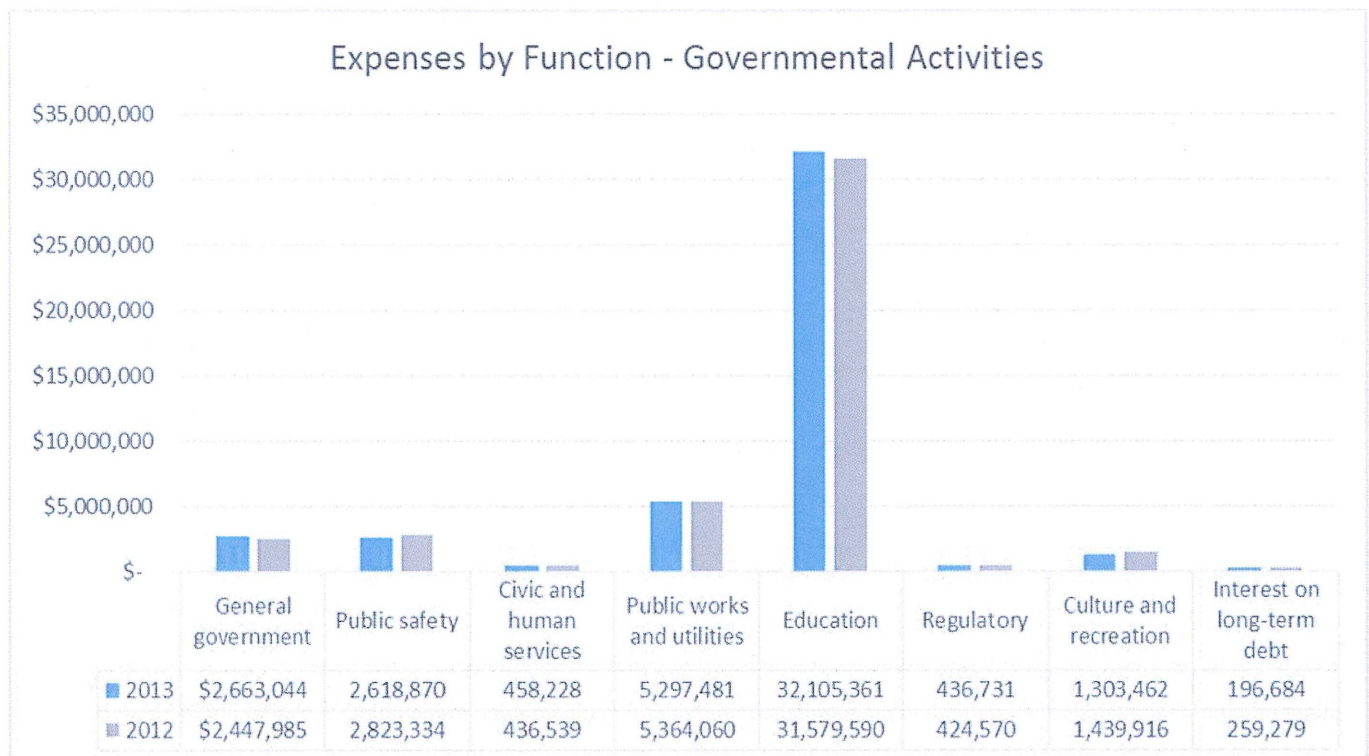
Management's Discussion and Analysis (continued)

- Capital grants and contributions decreased by \$441,920 substantially due to a decrease in the CDBG grant for the Senior Center compared to the amount received in the prior fiscal year.
- Public safety expenses decreased by \$204,464 due to the decrease in noncapitalized project expense as compared to the prior year.

Revenue by Source - Governmental Activities



Expenses by Function - Governmental Activities



Financial Analysis of the Town's Funds

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$13,221,739. \$8,347,927 is not available for new spending because it has already been classified as 1) nonspendable (\$15,500) for the library endowment, 2) restricted (\$2,225,500), 3) committed (\$5,748,389) and 4) assigned (\$358,538).

The total fund balance increased by \$2,008,953 to \$13,221,739. This increase is a result of positive operations of \$292,657 in the general fund and positive operating activity in the capital initiatives fund of \$1,493,767. The general fund results were due substantially to expenditures less than budgeted and the capital initiatives was due substantially to the issuance of bonds which permanently financed bond anticipation notes of \$3,140,000. The issuance of debt was offset with expenditures for construction costs associated with the Memorial School roof and oil tank projects, and road improvement projects.

The general fund is the operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,873,812. As a measure of the general fund's liquidity, it is useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 12.6% of total general fund expenditures and transfers out.

The fund balance of the Town's general fund increased by \$292,657 due to following items:

- Increase in intergovernmental grants of \$201,183, due substantially to the receipt of FEMA reimbursement due to the storms Sandy and Charlotte.
- Under expenditure of \$23,252 in the Library budget primarily due to a staff vacancy.
- Decrease in property tax revenue of \$118,915 compared to budget.
- Under expenditure of the collector of revenue, assessor and registrars department budgets of \$16,774, \$12,335 and \$11,515, respectively.
- Under expenditure in the Public works budgets of \$81,777.

Capital Initiatives Fund. This fund accounts for financial resources to be used for the acquisition of major equipment or construction of facilities. The capital initiatives fund's expenditures exceeded its revenues by \$1,493,767, substantially as a result of permanently financed bond anticipation notes of \$3,140,000, net with construction costs associated with the Memorial School roof and oil tank projects, and road improvement projects.

Capital Reserve Fund. This fund accounts for financial resources to be used for capital and non-recurring projects. The primary source of funding is an annual appropriation from the general fund. The capital reserve fund's revenues and transfers in exceeded its expenditures by \$154,150 as a result of timing of funding and capital purchases.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$475,055. The increase in budget is due to revised revenue estimates approved for the annual supplemental appropriation to the Board of Education for the special education excess cost grant.

Other significant transfers done during the year were as follows:

- The legal defense/fee account received transfers of \$128,415 from the employee benefits and insurance accounts for litigation and labor negotiation costs.
- Public Works account received transfers of \$115,000 from contingency and debt service accounts for storm related expenditures and retro-active wages.

Capital Assets and Debt Administration

Capital assets. At June 30, 2013, the Town of East Hampton's capital assets totaled \$78,248,847, net of accumulated depreciation. This includes land, buildings, land improvements, machinery and equipment, roads, bridges, intangible assets and construction in progress. The increase in the Town's capital assets for the current fiscal year was \$1,711,183 or (2.24%). This increase is largely due to the increase in construction in progress, primarily for the Memorial School roof project of \$1,746,002. The roof project was completed during the year, and the total costs of \$2,747,877 were capitalized.

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

- Building additions relating to the Memorial School roof and Senior Center projects (\$2,747,877, and \$767,052, respectively)
- Construction in progress relating to the Memorial School roof project (\$1,746,002)
- Infrastructure additions for the completion of several new roads, including Airline Trail Extension and Sears Park storm water runoff improvements of \$1,121,888.

Capital Assets (Net of Accumulated Depreciation)

	2013	2012
Land	\$ 2,343,992	\$ 2,343,992
Intangible assets	724,600	732,950
Construction in progress	1,753,609	3,432,170
Buildings	32,235,661	29,553,361
Improvements other than buildings	617	617
Machinery and equipment	3,702,842	3,662,585
Infrastructure	37,487,526	36,811,989
Total	\$ 78,248,847	\$ 76,537,664

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

Long-term debt. At the end of the current fiscal year, the Town had total bonded debt outstanding of \$8,340,000. The increase of \$2,225,000 from prior year is due to the issuance of permanently financed bond anticipation notes of \$3,140,000 net with annual principal debt payments. All debt is backed by the full faith and credit of the Town. The remainder of the Town's debt represents notes totaling \$236,611 due to the State of Connecticut Clean Water Fund.

**Outstanding Debt
Long-Term Obligations**

	2013	2012
General obligation bonds	\$ 5,200,000	\$ 6,115,000
Bond anticipation notes	3,140,000	
Clean water notes	236,611	299,338
Total	<u>\$ 8,576,611</u>	<u>\$ 6,414,338</u>

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

State statutes limit the amount of general obligation debt a governmental entity may issue to 7 times total tax collections including interest and lien fees. The current debt limitation for the Town is \$204,978,284, which is significantly in excess of the Town's outstanding general obligation debt.

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

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the Town is currently 7.5%, which is the same rate as fiscal year 2012. This is lower than both the state's average unemployment rate of 8.2% and the Hartford Labor Market rate of 8.2%. The Town is slightly below the national average of 7.8%.
- Inflationary trends in the region compare favorably to national indices.
- Connecticut's economic and business growth remains flat. This lack of growth will have a negative impact on the amount of revenue the state receives from taxes. This will affect the amount of intergovernmental revenues the Town will receive in fiscal year 2014 and thereafter.
- Residential construction increased with approximately 13 new building permits issued this year compared to 4 issued in 2012. This increase positively affects fee revenue in the building department, as well as the Town Clerk's department.
- Interest rates remain at historical lows and as a result investment income has been reduced.

All of these factors were considered in preparing the Town's budget for the 2014 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director's Office, Town of East Hampton, 20 East High Street, East Hampton, CT 06424.

Basic Financial Statements

Town of East Hampton, Connecticut

Statement of Net Position
June 30, 2013

	Governmental Activities
<u>Assets</u>	
Current assets:	
Cash	\$ 11,692,210
Investments	3,794,259
Receivables:	
Property taxes	676,658
Assessments	106,345
Intergovernmental	741,734
Loans	4,100
Other	40,462
Other assets	6,332
Total current assets	17,062,100
Noncurrent assets:	
Restricted assets:	
Temporarily restricted investments	827
Permanently restricted investments	15,500
Total restricted assets	16,327
Receivables (net):	
Property taxes	1,014,758
Assessments	130,514
Loans	173,432
Total receivables (net)	1,318,704
Other noncurrent assets:	
Net pension asset	1,436,331
Capital assets (net of accumulated depreciation):	
Land	2,343,992
Intangible assets (net of accumulated amortization)	724,600
Construction in progress	1,753,609
Buildings	32,235,661
Improvements other than buildings	617
Machinery and equipment	3,702,842
Infrastructure	37,487,526
Total capital assets (net of accumulated depreciation)	78,248,847
Total noncurrent assets	81,020,209
Total assets	98,082,309

(Continued)

Town of East Hampton, Connecticut

Statement of Net Position
June 30, 2013

	Governmental Activities
<u>Deferred Outflows of Resources</u>	
Deferred charge on refunding	\$ 44,453
<u>Liabilities</u>	
Current liabilities:	
Accounts payable and other liabilities	1,420,891
Accrued payroll	518,970
Accrued interest payable	117,956
Unearned revenue	246,568
Bond anticipation notes	395,000
Bonds and notes payable	860,796
Compensated absences	108,128
Total current liabilities	3,668,309
Noncurrent liabilities:	
Bonds, notes and related liabilities	7,749,688
Compensated absences	1,243,466
Net OPEB obligation	1,245,918
Environmental obligation	750,000
Total noncurrent liabilities	10,989,072
Total liabilities	14,657,381
<u>Net Position</u>	
Net investment in capital assets	69,287,816
Restricted for:	
Endowments:	
Expendable	827
Nonexpendable	15,500
Public works	1,022,761
Education	1,201,912
Unrestricted	11,940,565
Total net position	\$ 83,469,381

(Concluded)

See Notes to Financial Statements.

Town of East Hampton, ConnecticutStatement of Activities
Year Ended June 30, 2013

Functions/Programs	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Operating Grants and Contributions	Capital Grants and Contributions	
					Governmental Activities
Governmental Activities:					
General government	\$ 2,663,044	\$ 331,161	\$ 263,073	\$	\$ (2,068,810)
Public safety	2,618,870	87,190	169,713		(2,361,967)
Civic and human services	458,228	975	16,100		(441,153)
Public works and utilities	5,297,481	2,153,810	274,618		(2,869,053)
Education	32,105,361	454,627	11,668,265	978,858	(19,003,611)
Regulatory	436,731	107,721			(329,010)
Culture and recreation	1,303,462	196,679	23,111	2,217	(1,081,455)
Interest expense	196,684				(196,684)
Total	\$ 45,079,861	\$ 3,332,163	\$ 12,414,880	\$ 981,075	\$ (28,351,743)
General Revenues:					
Property taxes					\$ 29,729,485
Grants and contributions not restricted to specific programs					227,704
Investment income					65,317
Miscellaneous					107,431
Total general revenues					30,129,937
Change in net position					1,778,194
Net position - July 1, 2012					81,691,187
Net position - June 30, 2013					\$ 83,469,381

Town of East Hampton, Connecticut

Balance Sheet
Governmental Funds
June 30, 2013

	General	Capital Initiatives	Capital Reserve	Other Governmental Funds	Total
<u>Assets</u>					
Cash	\$ 3,801,848	\$ 4,995,860	\$	\$ 2,643,337	\$ 11,441,045
Investments	1,823,899			1,986,687	3,810,586
Receivables:					
Property taxes	1,360,422				1,360,422
Assessments and user charges				191,709	191,709
Intergovernmental	317,902	77,708		182,707	578,317
Loans				209,607	209,607
Other	20,625		2,217	17,620	40,462
Due from other funds	573,541		2,812,099	594,827	3,980,467
Other				6,332	6,332
Total assets	\$ 7,898,237	\$ 5,073,568	\$ 2,814,316	\$ 5,832,826	\$ 21,618,947
<u>Liabilities</u>					
Accounts and other payables	\$ 1,105,237	\$ 21,109	\$ 44,684	\$ 311,151	\$ 1,482,181
Accrued payroll	518,970				518,970
Accrued interest		33,141			33,141
Due to other funds	1,107	3,450,617	241,519	393,649	4,086,892
Unearned revenue	165,971			80,597	246,568
Bond anticipation notes payable		395,000			395,000
Total liabilities	1,791,285	3,899,867	286,203	785,397	6,762,752
<u>Deferred Inflows of Resources</u>					
Unavailable revenue- property taxes	1,233,140				1,233,140
Unavailable revenue- water charges				6,341	6,341
Unavailable revenue- loans				209,607	209,607
Unavailable revenue- sewer assessment and use charges				185,368	185,368
Total deferred inflows of resources	1,233,140	-	-	401,316	1,634,456
<u>Fund Balances</u>					
Nonspendable				15,500	15,500
Restricted				2,225,500	2,225,500
Committed		1,173,701	2,528,113	2,046,575	5,748,389
Assigned				358,538	358,538
Unassigned	4,873,812				4,873,812
Total fund balances	4,873,812	1,173,701	2,528,113	4,646,113	13,221,739
Total liabilities, deferred inflows of resources and fund balances	\$ 7,898,237	\$ 5,073,568	\$ 2,814,316	\$ 5,832,826	\$ 21,618,947

(Continued)

See Notes to Financial Statements.

Town of East Hampton, Connecticut

Reconciliation of Fund Balance
to Net Position of Governmental Activities
June 30, 2013

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

Total fund balance (Exhibit C, page 1) \$ 13,221,739

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Beginning capital assets	76,537,664
Current capital asset additions	3,637,380
Depreciation expense	(1,924,604)
Disposal and sale of capital assets	(1,593)

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred inflows in the funds:

Property tax and sewer assessment interest and lien accrual	472,144
Property tax, sewer assessment, and loans receivable - accrual basis change	1,634,456
School building grant receivable	163,417
Allowance for doubtful accounts	(128,075)
Net pension asset	1,436,331

Internal service funds are used by management to charge the cost of insurance premiums and benefits to individual departments:

The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position 418,880

Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds and notes payable	(8,576,611)
Premium	(33,873)
Deferred charge on refunding	44,453
Compensated absences	(1,351,594)
Net OPEB obligation	(1,245,918)
Environmental obligation	(750,000)
Accrued interest payable	(84,815)

Net position of governmental activities (Exhibit A) \$ 83,469,381

(Concluded)

See Notes to Financial Statements.

Town of East Hampton, Connecticut

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2013

	General	Capital Initiatives	Capital Reserve	Other Governmental Funds	Total
Revenues:					
Property taxes	\$ 29,330,074	\$	\$	\$	\$ 29,330,074
Intergovernmental	11,747,385	978,858	2,217	1,038,589	13,767,049
Charges for services	482,567			2,857,706	3,340,273
Income on investments	20,298	10,382	7,096	27,541	65,317
Contributions and donations				22,581	22,581
Miscellaneous	19,452		74,431	13,548	107,431
Total revenues	41,599,776	989,240	83,744	3,959,965	46,632,725
Expenditures:					
Current:					
General government	3,387,759		49,714	151,345	3,588,818
Public safety	2,176,522		58,539	66,518	2,301,579
Public works and utilities	2,029,684		37,754	2,106,221	4,173,659
Culture and recreation	931,807		37,136	219,748	1,188,691
Civic and human services	378,220		13,406	24,500	416,126
Regulatory	364,173				364,173
Education	29,894,213		157,980	1,136,307	31,188,500
Debt service	1,133,973			68,048	1,202,021
Capital outlay		2,659,309	529,637	180,195	3,369,141
Total expenditures	40,296,351	2,659,309	884,166	3,952,882	47,792,708
Excess (deficiency) of revenues over expenditures	1,303,425	(1,670,069)	(800,422)	7,083	(1,159,983)
Other financing sources (uses):					
Issuance of debt		3,140,000			3,140,000
Premium on bond anticipation notes		28,936			28,936
Transfers in			954,572	61,296	1,015,868
Transfers out	(1,010,768)	(5,100)			(1,015,868)
Total other financing sources (uses)	(1,010,768)	3,163,836	954,572	61,296	3,168,936
Net change in fund balances	292,657	1,493,767	154,150	68,379	2,008,953
Fund balances - July 1, 2012	4,581,155	(320,066)	2,373,963	4,577,734	11,212,786
Fund balances - June 30, 2013	\$ 4,873,812	\$ 1,173,701	\$ 2,528,113	\$ 4,646,113	\$ 13,221,739

See Notes to Financial Statements

Town of East Hampton, Connecticut

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to Statement of Activities
Year Ended June 30, 2013

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

Net change in fund balances - Total Governmental Funds (Exhibit D) \$ 2,008,953

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

Capital outlay	3,637,380
Depreciation expense	<u>(1,924,604)</u>

Total 1,712,776

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

Disposal of capital assets	<u>(1,593)</u>
----------------------------	----------------

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

School building grant receipts	(165,971)
Change in property tax, sewer assessment, and community development block grant receivable - accrual basis change	291,100
Change in property tax and sewer assessment interest and lien revenue	<u>100,201</u>

Total 225,330

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The details of these differences in the treatment of long-term debt and related items are as follows:

Debt issued or incurred:	
General obligation bonds and notes	(3,140,000)
Bond premium	10,351
Deferred charges	(25,403)
Principal repayments:	
General obligation bonds and notes	<u>977,727</u>

Total (2,177,325)

(Continued)

Town of East Hampton, Connecticut

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to Statement of Activities
Year Ended June 30, 2013

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Compensated absences	\$ 232,239
Net OPEB obligation	(273,441)
Net pension asset	38,190
Accrued interest payable	<u>13,726</u>
Total	<u>10,714</u>
Internal Service Funds are used by management to charge costs of various self-insured risk premiums to individual departments	<u>(661)</u>
Change in net position of Governmental Activities (Exhibit B)	\$ <u><u>1,778,194</u></u>
	(Concluded)

See Notes to Financial Statements.

Town of East Hampton, Connecticut

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Property taxes	\$ 29,448,989	\$ 29,448,989	\$ 29,330,074	\$ (118,915)
Intergovernmental	8,385,300	8,860,355	9,027,336	166,981
Charges for services	463,114	463,114	482,567	19,453
Investment income	45,000	45,000	20,298	(24,702)
Miscellaneous	3,359	3,359	19,452	16,093
Total revenues	38,345,762	38,820,817	38,879,727	58,910
Expenditures:				
Current:				
General government	3,512,564	3,456,979	3,387,759	69,220
Public safety	2,175,774	2,196,129	2,176,522	19,607
Public works	2,014,207	2,111,461	2,029,684	81,777
Regulatory	380,572	380,572	364,173	16,399
Health and human services	389,287	389,827	378,220	11,607
Culture and recreation	962,977	962,977	931,807	31,170
Education	26,710,840	27,178,131	27,174,164	3,967
Debt service	1,196,537	1,133,973	1,133,973	-
Total expenditures	37,342,758	37,810,049	37,576,302	233,747
Excess (Deficiency) of Revenues Over Expenditures	1,003,004	1,010,768	1,303,425	292,657
Other Financing Sources (Uses):				
Transfers out	(1,003,004)	(1,010,768)	(1,010,768)	-
Net Change in Fund Balance	\$ -	\$ -	292,657	\$ 292,657
Fund Balance - July 1, 2012			4,581,155	
Fund Balance - June 30, 2013			\$ 4,873,812	

See Notes to Financial Statements.

Town of East Hampton, ConnecticutStatement of Net Position
Proprietary Funds
June 30, 2013

		Governmental Activities
		Internal Service Funds
<hr/>		
	<u>Assets</u>	
Cash		\$ 251,165
Due from other funds		<u>197,500</u>
Total assets		448,665
	<u>Liability</u>	
Claims payable		<u>29,785</u>
	<u>Net Position</u>	
Unrestricted		<u><u>\$ 418,880</u></u>

See Notes to Financial Statements.

Town of East Hampton, ConnecticutStatement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2013

	Governmental Activities
	Internal Service Funds
Operating Revenues:	
Charges for services	\$ 310,709
Operating Expenses:	
Claims	288,471
Administration	22,899
Total Operating Expenses	311,370
Operating Income (Loss)	(661)
Total Net Position - July 1, 2012	419,541
Total Net Position - June 30, 2013	\$ 418,880

See Notes to Financial Statements.

Town of East Hampton, Connecticut

Statement of Cash Flows
 Proprietary Funds
 Year Ended June 30, 2013

	Governmental Activities
	Internal Service Funds
Cash Flows from Operating Activities:	
Cash received for charges for services	\$ 451,733
Cash paid for benefits and claims	(288,719)
Cash paid for administration	(22,899)
Net Cash Provided by (Used in) Operating Activities and Net Increase (Decrease) in Cash	140,115
Cash - July 1, 2012	111,050
Cash - June 30, 2013	\$ 251,165
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Operating income (loss)	\$ (661)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
(Increase) decrease in:	
Due from other funds	141,024
Increase (decrease) in:	
Claims payable	(248)
Net Cash Provided by (Used in) Operating Activities	\$ 140,115

See Notes to Financial Statements.

Town of East Hampton, Connecticut

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Pension Trust Fund	Agency Funds
<hr/>		
<u>Assets</u>		
Cash	\$ 1,612	\$ 425,642
Investments:		
Mutual funds:		
Equity mutual funds	15,406,195	554,766
Government agency securities		26,980
U.S. government bonds	6,183,511	286,463
Foreign currency bonds	1,193,182	
Money market	131,953	
Pooled real estate	1,555	
Real estate limited partnership	1,000,000	
Total investments	23,916,396	868,209
Total Assets	23,918,008	1,293,851
<u>Liabilities</u>		
Accounts payable	925	1,293,851
Due to other funds	91,075	
Total liabilities	92,000	1,293,851
Net Position Held in Trust for Pension Benefits	\$ 23,826,008	\$ -

See Notes to Financial Statements.

Town of East Hampton, Connecticut

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2013

	Pension Trust Fund
Additions:	
Contributions:	
Employer	\$ 829,183
Plan members	<u>432,009</u>
Total contributions	<u>1,261,192</u>
Investment income (loss):	
Net change in fair value of investments	1,890,925
Interest and dividends	<u>500,943</u>
Total investment income (loss)	2,391,868
Less investment expenses	<u>(42,025)</u>
Net investment income (loss)	<u>2,349,843</u>
Total Additions	<u>3,611,035</u>
Deductions	
Benefits	1,163,231
Administration	<u>50,089</u>
Total Deductions	<u>1,213,320</u>
Change in Net Position	2,397,715
Net Position - July 1, 2012	<u>21,428,293</u>
Net Position - June 30, 2013	<u><u>\$ 23,826,008</u></u>

See Notes to Financial Statements.

Town of East Hampton, Connecticut**Notes to Financial Statements****History and Organization**

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

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

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

I. Summary of Significant Accounting Policies**A. Government-Wide and Fund Financial Statements**

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

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

Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

Town of East Hampton, Connecticut

Notes to Financial Statements

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

Property taxes, expenditure reimbursement type grants, certain intergovernmental revenues, transfers and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

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

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

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

Additionally, the Town reports the following fund types:

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

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

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

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

Town of East Hampton, Connecticut**Notes to Financial Statements**

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

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

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity**1. Deposits and Investments**

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

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

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

2. Receivables and Payables**a. Interfunds**

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

Town of East Hampton, Connecticut**Notes to Financial Statements****b. Property Taxes and Other Receivables**

In the government-wide financial statements, property tax and loan receivables are shown net of an allowance for uncollectibles. Allowance percentages range from 5 to 15 percent of outstanding receivable balances and are calculated based upon prior collections.

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

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

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

3. Restricted Assets

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

4. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 for equipment, \$20,000 for improvements and \$100,000 for infrastructure, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

Town of East Hampton, Connecticut

Notes to Financial Statements

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

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

5. Deferred Outflows/Inflows of Resources

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

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

6. Net Position Flow Assumption

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

7. Compensated Absences

The Town allows employees to accumulate earned but unused vacation and sick pay benefits. The rate that these benefits are earned and accumulate varies by bargaining unit. Upon severance from employment with the Town, employees are paid by a prescribed formula for these accrued absences. All compensated absences are accrued when incurred in the government-wide financial statements. Expenditures for compensated absences are recognized in the governmental fund financial statements in the current year to the extent they are paid during the year, or the vested amount is expected to be paid with available resources.

Town of East Hampton, Connecticut**Notes to Financial Statements****8. Long-Term Obligations**

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

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

9. Fund Equity and Net Position

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

Net Investment in Capital Assets

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

Restricted Net Position

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

Unrestricted Net Position

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

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

Nonspendable

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

Restricted

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

Town of East Hampton, Connecticut

Notes to Financial Statements

Committed

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

Assigned

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

Unassigned

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

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

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

10. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities including disclosures of contingent assets and liabilities and reported revenues, expenses and expenditures during the fiscal year. Accordingly, actual results could differ from those estimates.

11. Reclassifications

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

Town of East Hampton, Connecticut**Notes to Financial Statements****II. Stewardship, Compliance and Accountability****A. Budgets and Budgetary Accounting**

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

- The Town Council submits to the Board of Finance a policy statement outlining its annual budget goals and objectives for the ensuing fiscal year. The Town Manager compiles preliminary estimates for all departments and agencies, with the exception of the Board of Education, for the annual budget for presentation to the Board of Finance. The Board of Education submits its estimates directly to the Board of Finance.
- The Board of Finance compiles a total budget based upon the Town Council's policy statement and the financial availability of Town funds, holds one or more public hearings on its proposal and presents a recommended budget to the Town Council no later than April 15. After making alterations or reductions, as they deem necessary, the Council submits its proposed budget to the Town Meeting for approval.
- The Board of Finance reviews and makes recommendations regarding all requests for additional appropriations to be submitted to the Council. Additional appropriations from fund balance that exceed \$25,000 must be approved by Town Meeting. Additional appropriations from fund balance below \$25,000, as well as additional appropriations from revised revenue, must be approved by Town Council.

Additional appropriations for the year amounted to \$475,055, which resulted from revised revenue estimates.

- Formal budgetary integration is employed as a management control device during the year.
- The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the department level.
- The Board of Education is authorized under state law to make any transfers required within their budget at their discretion. Additionally, as required by the charter, these transfers must be reported to the Board of Selectmen. Any additional appropriations must have Board of Education and Board of Selectmen approval and, if over one-half of one percent of the annual budget, Town Meeting approval.
- Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year end are reported in budgetary reports (Exhibit F) as expenditures in the current year. Generally, all unencumbered appropriations lapse at year end, except those for the Capital Projects Funds and those specifically reappropriated by the Board of Finance.

Town of East Hampton, Connecticut**Notes to Financial Statements****B. Budget - GAAP Reconciliation**

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

	<u>Revenues</u>	<u>Expenditures</u>
Balance, budgetary basis, Exhibit F - June 30, 2013	\$38,879,727	\$37,576,302
State Teachers' Retirement on-behalf payment	<u>2,720,049</u>	<u>2,720,049</u>
Balance, GAAP basis, Exhibit D - June 30, 2013	<u>\$41,599,776</u>	<u>\$40,296,351</u>

C. Capital Projects Authorizations

The following is a summary of Capital Projects at June 30, 2013:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Cumulative Expenditures</u>	<u>Project Balance</u>
Brewer Road Pavement Rehabilitation	\$ 408,500	\$ 49,870	\$ 358,630
Christopher Brook Culvert Replacement	512,000	18,319	493,681
High School Renovation Project – Phase I	200,080	183,148	16,932
High School Renovation Project – Phase II	51,695,000	90	51,694,910
Senior Center Renovations	755,100	755,100	-
Memorial School Oil Tank	150,000	139,276	10,724
Memorial School Roof	3,290,000	2,747,877	542,123
2012 Public Works Road Project	3,315,000	869,894	2,445,106
Oakum Dock water easement	790,500	733,487	57,013
Fire Truck	<u>645,000</u>		<u>645,000</u>
Totals	<u>\$ 61,761,180</u>	<u>\$ 5,497,061</u>	<u>\$ 56,264,119</u>

D. Donor Restricted Endowments

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

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

At June 30, 2013, there is no appreciation available for appropriation.

Town of East Hampton, Connecticut

Notes to Financial Statements

III. Detailed Notes

A. Cash and Investments

Deposits - Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2013, \$12,429,886 of the Town's bank balance of \$14,679,886 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 10,961,897
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>1,467,989</u>
Total amount subject to custodial credit risk	<u>\$ 12,429,886</u>

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

At June 30, 2013, the Town's investments (including restricted investments) consisted of the following:

Type of Investment	Fair Value	Investment Maturities (In Years)			
		N/A	Less Than 1	1-5 Years	5-10 Years
<u>Mutual funds:</u>					
Equity mutual funds	\$ 15,960,961	\$ 15,960,961	\$	\$	\$
Government agency securities	26,980		26,980		
U.S. government bonds	6,469,974			5,956,948	513,026
Foreign currency bonds	1,193,182			1,193,182	
Money market	131,953		131,953		
Pooled real estate	1,555	1,555			
Real Estate Limited Partnership	1,000,000	1,000,000			
Certificates of deposit	2,055,856		1,058,820	997,036	
Pooled fixed income	1,754,730		1,754,730		
Total	<u>\$ 28,595,191</u>	<u>\$ 16,962,516</u>	<u>\$ 2,972,483</u>	<u>\$ 8,147,166</u>	<u>\$ 513,026</u>

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

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

Town of East Hampton, Connecticut

Notes to Financial Statements

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

Ratings	Mutual Funds				Pooled Fixed Income
	Government Agency Securities	Foreign Currency Bonds	U.S. Government Bonds	Money Market	
AAA	\$ 26,980	\$	\$ 6,469,974	\$	\$ 1,754,730
Unrated		1,193,182		131,953	
Total	<u>\$ 26,980</u>	<u>\$ 1,193,182</u>	<u>\$ 6,469,974</u>	<u>\$ 131,953</u>	<u>\$ 1,754,730</u>

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

The investments are covered by the Securities Investor Protection Corporation ("SIPC") up to \$500,000, including \$100,000 of cash from sale or for purchase of investments, but not cash held solely for the purpose of earning interest. SIPC protects securities such as notes, stocks, bonds, debentures, certificates of deposit and money funds.

B. Receivables

Receivable balances have been disaggregated by type and presented separately in the financial statements. Only receivables for the Town's government-wide financial statements with allowances for uncollectible accounts as of June 30, 2013, including the applicable allowances for uncollectible accounts, are presented below.

	Property Taxes			CDBG Loans
	Taxes	Interest & Liens	Total	
Current portion	<u>\$ 622,257</u>	<u>\$ 54,401</u>	<u>\$ 676,658</u>	
Long-term portion	\$ 738,165	\$ 372,593	\$ 1,110,758	
Less allowance for uncollectibles	<u>(75,000)</u>	<u>(21,000)</u>	<u>(96,000)</u>	
Net long-term portion	<u>\$ 663,165</u>	<u>\$ 351,593</u>	<u>\$ 1,014,758</u>	
	Sewer Use and Assessments			CDBG Loans
	Assessments	Interest & Liens	Total	
Current portion	<u>\$ 86,160</u>	<u>\$ 20,185</u>	<u>\$ 106,345</u>	<u>\$ 4,100</u>
Long-term portion	\$ 105,549	\$ 24,965	\$ 130,514	\$ 205,507
Less allowance for uncollectibles			-	<u>(32,075)</u>
Net long-term portion	<u>\$ 105,549</u>	<u>\$ 24,965</u>	<u>\$ 130,514</u>	<u>\$ 173,432</u>

Town of East Hampton, Connecticut

Notes to Financial Statements

C. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance July 1, 2012	Increases	Decreases	Ending Balance June 30, 2013
<u>Capital assets, not being depreciated:</u>				
Land	\$ 2,343,992	\$	\$	\$ 2,343,992
Intangible assets	698,000			698,000
Construction in progress	3,432,170	2,231,142	3,909,703	1,753,609
Total capital assets, not being depreciated	6,474,162	2,231,142	3,909,703	4,795,601
<u>Capital assets, being depreciated:</u>				
Buildings	51,503,279	3,709,129		55,212,408
Intangible assets	60,000			60,000
Improvements other than buildings	61,795			61,795
Machinery and equipment	8,576,572	484,924	222,499	8,838,997
Infrastructure	43,050,044	1,121,888	33,175	44,138,757
Total capital assets, being depreciated	103,251,690	5,315,941	255,674	108,311,957
Total capital assets	109,725,852	7,547,083	4,165,377	113,107,558
<u>Less accumulated depreciation:</u>				
Buildings	21,949,918	1,026,829		22,976,747
Intangible assets	25,050	8,350		33,400
Improvements other than buildings	61,178			61,178
Machinery and equipment	4,913,987	443,074	220,906	5,136,155
Infrastructure	6,238,055	446,351	33,175	6,651,231
Total accumulated depreciation and amortization	33,188,188	1,924,604	254,081	34,858,711
Total capital assets, being depreciated, net	70,063,502	3,391,337	1,593	73,453,246
Capital assets, net	\$ 76,537,664	\$ 5,622,479	\$ 3,911,296	\$ 78,248,847

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

General government	\$ 12,819
Public safety	173,534
Public works and utilities	896,882
Health and human services	3,432
Culture and recreation	101,401
Regulatory	3,458
Education	733,078
Total depreciation expense	<u>\$ 1,924,604</u>

Town of East Hampton, Connecticut**Notes to Financial Statements****Construction Commitments**

The Town has substantially completed the active major construction projects and other projects as of June 30, 2013.

D. Interfund Accounts**1. Interfund Payables and Receivables**

A summary of interfund balances as of June 30, 2013 is as follows:

<u>Major funds:</u>	<u>Corresponding Fund</u>	<u>Due From</u>	<u>Due To</u>
General fund:			
Miscellaneous grants	N/A	\$ 9,946	\$
Public works	N/A	17,545	
Public safety	N/A		1,107
Culture and recreation	N/A	40,491	
Education grant	N/A	1,781	
School cafeteria	N/A	16,452	
Capital reserve	N/A	241,519	
Capital initiatives	N/A	44,798	
WPCA operating	N/A	17,292	
WPCA joint facilities	N/A	79,432	
Water system	N/A	13,210	
Pension trust fund	N/A	91,075	
Total general fund		<u>573,541</u>	<u>1,107</u>
Capital initiatives:			
Public works	N/A		578,241
Capital reserve	N/A		2,812,099
WPCA joint facilities	N/A		15,479
General fund	N/A		44,798
Total capital initiatives		<u>-</u>	<u>3,450,617</u>
Capital reserve:			
Capital initiatives	N/A	2,812,099	
General fund	N/A		241,519
Total capital reserve		<u>2,812,099</u>	<u>241,519</u>

Town of East Hampton, Connecticut**Notes to Financial Statements**

	Corresponding Fund	Due From	Due To
<u>Nonmajor governmental funds:</u>			
Miscellaneous grants	General Fund	\$	\$ 9,946
Water system	General Fund		13,210
Public safety	General Fund	1,107	
WPCA operating	General Fund		17,292
Education grant	General Fund		1,781
School cafeteria	General Fund		16,452
Culture and recreation	General Fund		40,491
WPCA joint facilities	General Fund		79,432
Public works	Capital Initiatives	578,241	
Public works	General Fund		17,545
WPCA joint facilities	Capital Initiatives	15,479	
Debt service fund	Internal Service		197,500
Total nonmajor governmental funds		<u>594,827</u>	<u>393,649</u>
Internal service funds	Debt Service Fund	<u>197,500</u>	
<u>Fiduciary funds:</u>			
Pension trust fund	General Fund		<u>91,075</u>
Grand total		<u>\$4,177,967</u>	<u>\$4,177,967</u>

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

Town of East Hampton, Connecticut

Notes to Financial Statements

2. Interfund Transfers

A summary of interfund transfers for the year ended June 30, 2013 is as follows:

	Corresponding Fund	Transfers In	Transfers Out
Major funds:			
General fund:			
Water system fund	N/A	\$	\$ 23,532
Capital reserve fund	N/A		949,472
School cafeteria fund	N/A		7,764
Debt service fund	N/A		30,000
Total general fund		-	1,010,768
Capital initiatives fund	Capital Reserve Fund	-	5,100
Capital reserve fund:			
General fund	N/A	949,472	
Capital initiatives fund	N/A	5,100	
Total capital reserve fund		954,572	-
Nonmajor funds:			
Special revenue funds:			
Water system fund	General Fund	23,532	
School cafeteria fund	General Fund	7,764	
Total special revenue fund		31,296	-
Debt service fund	General Fund	30,000	
Grand total		\$ 1,015,868	\$ 1,015,868

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

E. Short-Term Obligations - Bond Anticipation Notes

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

Short-term activity for the year ended June 30, 2013 was as follows:

Project	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013
Memorial School Roof and Oil Tank Project	\$	\$ 5,045,000	\$ 4,650,000	\$ 395,000
Road Program, Phase I		2,800,000	2,800,000	-
Total	\$ -	\$ 7,845,000	\$ 7,450,000	\$ 395,000

The BANs carry an interest rate of 1.25% and mature in August 2013.

In August 2013, the Town issued \$3,885,000 of general obligation bonds maturing through August 2033 carrying an interest rate of 2.0% - 4.0%, of which \$3,140,000 are permanently financed bond anticipation notes outstanding at June 30, 2013.

Town of East Hampton, Connecticut

Notes to Financial Statements

F. Changes in Long-Term Obligations

1. Summary of Changes

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

Description	Original Amount	Date Of Issue	Date Of Maturity	Interest Rate	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Current Portion
<u>Bonds:</u>									
Obligation bond	\$ 2,345,000	08/15/02	08/15/17	3.00%-4.125%	\$ 795,000	\$	\$ 170,000	\$ 625,000	\$ 125,000
Refunding issue	4,005,000	04/01/03	07/15/14	3.375%-4.10%	980,000		335,000	645,000	325,000
Obligation bond	3,175,000	02/01/06	02/01/21	3.40%-5.0%	1,675,000		250,000	1,425,000	225,000
Obligation bond	2,985,000	04/15/09	07/15/28	2.50%-4.50%	2,665,000		160,000	2,505,000	160,000
Total bonds					6,115,000	-	915,000	5,200,000	835,000
Bond anticipation notes (BANs)						3,140,000		3,140,000	
<u>Clean water notes:</u>									
Sewer 480C	503,694	06/30/02	12/31/21	2.0%	261,896		25,285	236,611	25,796
Sewer 247C	837,030	03/31/94	03/31/13	2.0%	37,442		37,442	-	
Total notes					299,338	-	62,727	236,611	25,796
Total bonds/notes					6,414,338	3,140,000	977,727	8,576,611	860,796
Premiums					44,224		10,351	33,873	
Total bonds/notes and related liabilities					6,458,562	3,140,000	988,078	8,610,484	860,796
Compensated absences					1,583,833	403,793	636,032	1,351,594	108,128
OPEB obligation					972,477	498,441	225,000	1,245,918	
Environmental obligation					750,000			750,000	
Total long-term obligations					\$ 9,764,872	\$ 4,042,234	\$ 1,849,110	\$ 11,957,996	\$ 968,924

Town of East Hampton, Connecticut**Notes to Financial Statements**

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

<u>Fiscal Year Ended June 30,</u>	<u>Amount to be Provided By State Principal</u>	<u>Notes Principal</u>	<u>Bond Principal</u>	<u>Total Interest</u>
2014	\$ 163,417	\$ 25,796	\$ 835,000	\$ 191,774
2015		26,317	830,000	158,256
2016		26,848	510,000	131,102
2017		27,390	435,000	113,122
2018		27,943	435,000	97,253
2019		28,507	305,000	83,643
2020		29,082	305,000	72,210
2021		29,669	305,000	60,379
2022		15,059	155,000	48,333
2023			155,000	42,238
2024			155,000	36,038
2025			155,000	29,838
2026			155,000	23,541
2027			155,000	17,050
2028			155,000	10,366
2029			155,000	3,488
	<u>\$ 163,417</u>	<u>\$ 236,611</u>	<u>\$ 5,200,000</u>	<u>\$ 1,118,631</u>

All long-term liabilities listed above after bonds and notes are generally liquidated by the General Fund.

2. Statutory Debt Limitations

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

<u>Category</u>	<u>Debt Limit</u>	<u>Net Indebtedness</u>	<u>Balance</u>
General purpose	\$ 65,885,877	\$ 6,247,000	\$ 59,638,877
Schools	131,771,754	2,324,583	129,447,171
Sewers	109,809,795	236,369	109,573,426
Urban renewal	95,168,489		95,168,489
Pension deficit	87,847,836		87,847,836

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, \$204,978,284.

The indebtedness reflected above includes bonds outstanding in addition to the amount of bonds authorized and unissued against which bond anticipation notes are issued and outstanding. School building grants receivable of \$163,417 for bond principal are reflected as deductions in the computation of net indebtedness.

Town of East Hampton, Connecticut**Notes to Financial Statements****3. Authorized/Unissued Bonds**

The amount of authorized, unissued bonds for general purposes at June 30, 2013 is as follows:

<u>Purpose of Bonds</u>	Authorized but <u>Unissued</u>
Governmental activities:	
Ambulance facility	\$ 18,500
High school athletic facilities improvements	2,000
Capital improvements 2004-2005	454,400
Land purchase	7,100
Flanders roadway improvements	2,000
Pine Brook culvert replacement	400,000
Memorial school roof and oil tank	3,440,000
2012 road improvement project	3,315,000
High school renovation	51,695,000
Fire triple pumper	<u>645,000</u>
Total	<u>\$59,979,000</u>

4. Prior Year Advance Refunding

In prior years, the Town defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability of the defeased bonds are not included in the Town's financial statements. At June 30, 2013, \$640,000 of bonds outstanding are considered defeased.

5. Environmental Cleanup

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

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

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

Town of East Hampton, Connecticut

Notes to Financial Statements

G. Restricted Net Assets

The amount of restricted net assets, which were restricted by enabling legislation, totaled \$2,217,835 at June 30, 2013.

H. Fund Balance Classifications

Fund Balance Component	General Fund	Capital Initiatives	Capital Reserve	Nonmajor Funds	Total
<u>Nonspendable:</u>					
Library trust	\$	\$	\$	\$ 15,500	\$ 15,500
<u>Restricted:</u>					
Public works					
Future debt payments				1,007,715	1,007,715
Public works projects				480,626	480,626
Sewer facility operations				349,735	349,735
Sewer operations				307,621	307,621
Water operations				43,927	43,927
Health and welfare					
Community development programs				6,838	6,838
Culture and recreation programs				827	827
Education - food services program				28,211	28,211
Total restricted	-	-	-	2,225,500	2,225,500
<u>Committed</u>					
General government					
Civic and human service programs				114,552	114,552
Public safety					
Police private duty				248,669	248,669
Culture and recreation programs				91,600	91,600
Education programs				336,248	336,248
Construction contracts		1,173,701	2,528,113	1,255,506	4,957,320
Total committed	-	1,173,701	2,528,113	2,046,575	5,748,389
<u>Assigned:</u>					
Debt service				358,538	358,538
<u>Unassigned</u>					
	4,873,812				4,873,812
Total	\$ 4,873,812	\$ 1,173,701	\$ 2,528,113	\$ 4,646,113	\$ 13,221,739

Town of East Hampton, Connecticut**Notes to Financial Statements****IV. Other Information****A. Risk Management**

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

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

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

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

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

	Claims Payable <u>July 1</u>	Current Year Claims and Change in <u>Estimates</u>	Claims Paid	Claims Payable <u>June 30</u>
2011-2012	\$ 23,410	\$ 305,529	\$ 298,906	\$30,033
2012-2013	30,033	288,471	288,719	29,785

B. Commitments and Litigation

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

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

Town of East Hampton, Connecticut

Notes to Financial Statements

Intermunicipal Agreement

The Town is party to an intermunicipal agreement for septage waste disposal. The Town has agreed to accept septage from five area towns. The Town originally borrowed \$837,030 from the State of Connecticut Clean Water Fund to finance improvements to its plant to accommodate septage from the other towns. In fiscal year 2002, the Town borrowed an additional \$503,694 for a nitrogen reduction project. Each town is committed to paying a portion of the cost of improvements over 20 years. Additionally, operating costs and a use fee will also be charged.

C. Pension Plans**1. Plan Description**Summary

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

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

Benefit Provisions

The benefit formula is as follows:

For police, 2.5% of final earnings times credited service; for all other participants effective January 1, 2001, 2.25% of final earnings multiplied by credited service.

The minimum retirement benefit for all participants will be \$1,200 at normal retirement date.

The membership of the plan consisted of the following as of July 1, 2012, the date of the latest actuarial valuation:

Retirees and beneficiaries currently receiving benefits	89
Current plan members	174
Inactive with vested benefits	<u>89</u>
Total	<u>352</u>

Town of East Hampton, Connecticut

Notes to Financial Statements

2. Summary of Significant Accounting Policies and Plan Asset Matters**a. Basis of Accounting**

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

b. Valuation of Investments

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

3. Contributions

Benefits and contribution requirements may be amended by the Town Council subject to union ratification. Benefits are fixed by contract.

Police employees contribute 5% of earnings; all other employees are required to contribute 5.5% of earnings to the PERS.

The Town is required to contribute the amounts necessary to finance the benefits for its employees in accordance with actuarial recommendations. Administrative costs are generally financed through investment earnings.

4. Annual Pension Cost and Net Pension Asset

The Town's annual pension cost and net pension asset for the year ended June 30, 2013 were as follows:

Annual required contribution	\$ 815,329
Interest on net pension obligation	(111,851)
Adjustment to annual required contribution	<u>87,515</u>
Annual pension cost (APC)	790,993
Contributions made	<u>829,183</u>
Increase in net pension asset	38,190
Net pension asset, July 1, 2012	<u>1,398,141</u>
Net pension asset, June 30, 2013	<u>\$ 1,436,331</u>

Town of East Hampton, Connecticut

Notes to Financial Statements

5. Actuarial Methods and Assumptions

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

Valuation Date	July 1, 2012
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent
Remaining Amortization Period	26 Years Closed
Asset Valuation Method	5 Year Smoothed Market

Actuarial Assumptions:

Investment rate of return	7.5%
Projected salary increases:	
Merit	3.50%
Inflation	2.50%

6. Three Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
2011	\$ 762,888	\$ 847,761	111.1%	\$ 1,311,162
2012	722,325	809,304	112.0%	1,398,141
2013	790,993	829,183	104.8%	1,436,331

7. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2012 was as follows:

	(A)	(B)	(A-B)	(A/B)	(C)	[(A-B)/C]
		Actuarial Accrued Liability (AAL) Projected Unit Credit	Over (Under) Funded AAL	Funded AAL Ratio	(C) Covered Payroll	Over (Under) Funded AAL as a Percentage of Covered Payroll
Actuarial Valuation Date	Actuarial Value of Assets					
7/1/2012	\$20,819,841	\$25,902,904	\$ (5,083,063)	80.4%	\$7,621,801	(66.7)%

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

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

Town of East Hampton, Connecticut**Notes to Financial Statements****D. Other Post Employment Benefit Plan****1. Plan Description**

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

2. Summary of Significant Accounting Policies and Plan Asset MattersValuation of Investments

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

3. Classes of Employees Covered

As of June 30, 2013, the plan's membership consisted of:

	<u>Board of Education</u>
Retirees and beneficiaries currently receiving benefits	34
Active plan members	<u>167</u>
Total	<u><u>201</u></u>

4. Benefit Provisions**a. Benefit Provisions**

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

b. Employer Contributions

The Town's contributions are actuarially determined on an annual basis using the projected unit credit method. The Board of Education's total plan contribution was \$225,000.

c. Employee Contributions

There are no employee contributions to the plan.

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

Town of East Hampton, Connecticut

Notes to Financial Statements

5. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2011 was as follows:

	A)	(B)	(A-B)	(A/B)	(C)	[(A-B)/C]
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Projected Unit Credit	Over (Under) Funded AAL	Funded AAL Ratio	Covered Payroll	Over (Under) Funded AAL as a Percentage of Covered Payroll
<u>Board of Education</u>						
July 1, 2011	\$	\$5,525,000	\$(5,525,000)	0.0%	\$11,651,000	(47.4)%

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

6. Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarially accrued liabilities and the actuarial value of assets.

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

Valuation Date	July 1, 2011
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar
Remaining Amortization Period	27 Years Closed

Actuarial Assumptions:

Investment rate of return	4.0%
Healthcare inflation rate:	
Initial	6.4%
Ultimate	4.4%
Inflation rate	4.0%

Town of East Hampton, Connecticut

Notes to Financial Statements

7. Annual OPEB Cost and Net OPEB Obligation ("NOO")

The changes in the NOO were as follows:

	<u>Board of Education</u>
Annual required contribution	\$ 497,000
Interest on net OPEB obligation	38,899
Adjustment to annual required contribution	<u>(37,458)</u>
Annual OPEB cost (AOC)	498,441
Contributions made	<u>225,000</u>
Change in net OPEB obligation	273,441
Net OPEB obligation - July 1, 2012	<u>972,477</u>
Net OPEB obligation - June 30, 2013	<u>\$1,245,918</u>

8. Three Year Trend Information

<u>Year Ending June 30</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation</u>	<u>Actual Contributed</u>
Board of Education				
2011	\$ 517,004	55.7%	\$ 713,438	\$ 288,000
2012	547,039	52.7%	972,477	288,000
2013	498,441	45.1%	1,245,918	225,000

E. On-Behalf Payments

The amount of the State Teachers' Retirement Plan contribution recognized in the General Fund intergovernmental revenues and education expenditures for contributions made by the State on-behalf of the Town's teachers was \$2,720,049.

Required Supplementary Information

Town of East Hampton, Connecticut

Required Supplementary Information

East Hampton Retirement System and Other Post Employment Benefit Plan
Schedule of Funding Progress

	A	B	(A-B)	(A/B)	C	[(A-B)/C]
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Projected Unit Credit	Over (Under) Funded AAL	Funded AAL Ratio	Covered Payroll	Over/Under Funded AAL as a Percentage of Covered Payroll
<u>Pension Plan</u>						
January 1, 2008	\$ 18,943,268	\$ 19,373,079	\$ (429,811)	97.8%	\$ 6,417,318	(6.7%)
January 1, 2009	17,381,622	20,814,052	(3,432,430)	83.5%	6,674,011	(51.4%)
July 1, 2009	17,979,527	21,634,148	(3,654,621)	83.1%	6,613,882	(55.3%)
July 1, 2010	19,798,223	22,936,498	(3,138,275)	86.3%	7,317,009	(42.9%)
July 1, 2011	20,676,026	24,121,912	(3,445,886)	85.7%	7,372,336	(46.7%)
July 1, 2012	20,819,841	25,902,904	(5,083,063)	80.4%	7,621,801	(66.7%)
<u>Other Post Employment Benefit Plan</u>						
June 30, 2009	\$ -	\$ 6,071,000	\$ (6,071,000)	0.0%	N/A	N/A
July 1, 2011	-	5,525,000	(5,525,000)	0.0%	\$ 11,651,000	(47.4%)

Town of East Hampton, Connecticut

Required Supplementary Information

East Hampton Retirement System and Other Post Employment Benefit Plan
Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
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Pension Plan**Town Employees**

2008	\$ 551,652	\$ 707,485	128.2%
2009	595,784	717,193	120.4%
2010	765,583	771,832	100.8%
2011	787,261	847,761	107.7%
2012	746,829	809,304	108.4%
2013	815,329	829,183	101.7%

Other Post Employment Benefit Plan**Board of Education**

2009	\$ 486,000	\$ 226,000	46.5%
2010	486,000	263,000	54.1%
2011	515,000	288,000	55.9%
2012	545,000	288,000	52.8%
2013	497,000	225,000	45.3%

Appendix B

Opinion of Bond Counsel and Tax Exemption

APPENDIX B - OPINION OF BOND COUNSEL AND TAX EXEMPTION

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

BOND COUNSEL OPINION

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

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

[FORM OF BOND COUNSEL OPINION]

(date of closing)

Town of East Hampton
East Hampton, Connecticut

We have represented the Town of East Hampton, Connecticut as Bond Counsel in connection with the issuance by the Town of \$16,415,000 Bond Anticipation Notes, dated as of December 19, 2014.

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

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

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met in order that interest on the Notes is excluded from gross income for Federal income tax purposes. The Town officials authorized to issue the Notes have executed written representations and agreements on behalf of the Town relating to compliance with such provisions of the Code to ensure that the interest on the Notes will be excluded from gross income for Federal income tax purposes.

Based on such representations and agreements and on the record of proceedings authorizing the Notes, and assuming the accuracy of such representations and compliance with such agreements, it is our opinion that, under existing statutes: (1) interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; and (2) the Notes are not "private activity bonds" and interest on the Notes is not treated as a preference item for purposes of calculating the Federal alternative minimum tax, but in the case of corporations a portion of such interest may be included in alternative minimum taxable income for purposes of computing any Federal alternative minimum tax.

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

Very truly yours,

Day Pitney LLP

FEDERAL INCOME TAX.

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

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

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

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

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

Additional Federal Income Tax Matters. In addition to the matters addressed above, prospective purchasers of the Notes should be aware that the ownership of tax-exempt obligations, such as the Notes, may result in collateral Federal income tax consequences to certain taxpayers, including without limitation, taxpayers otherwise eligible for the earned income credit, recipients of Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, certain insurance companies, certain S corporations and foreign corporations subject to the branch profits tax. Prospective purchasers of the Notes may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

STATE OF CONNECTICUT TAX ON INTEREST.

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

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

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

ORIGINAL ISSUE PREMIUM

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

GENERAL.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Notes may affect the tax status of interest on the Notes. Legislation affecting municipal bonds is regularly under consideration by the United States Congress. No assurance can be given that Federal legislation enacted or proposed after the date of issuance of the Notes will not have an adverse effect on the tax-exempt status or market price of the Notes or will not change the effect of other Federal tax law consequences discussed above of owning and disposing of the Notes and Bond Counsel expresses no opinion thereon. No assurance can be given that future legislation, or amendments to the income tax law of the State of Connecticut, if enacted into law, will not contain provisions that could, directly or indirectly, reduce the benefit of the exclusion of the interest on the Notes or any gain made on the sale or exchange thereof from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and Bond Counsel expresses no opinion thereon. Prospective owners of the Notes are advised to consult their tax advisors regarding the potential tax consequences of proposed Federal or State of Connecticut tax legislation affecting municipal bonds.

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

Appendix C

Form of Continuing Disclosure Agreement

APPENDIX C - FORM OF CONTINUING DISCLOSURE AGREEMENT FOR NOTES

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Town will agree, pursuant to a Continuing Disclosure Agreement for Notes to be executed by the Town substantially in the following form, to provide, or cause to be provided, notice of the occurrence of certain events with respect to the Notes:

Continuing Disclosure Agreement For Notes

This Continuing Disclosure Agreement for Notes ("Agreement") is made as of December 19, 2014 by the Town of East Hampton, Connecticut (the "Issuer") acting by its undersigned officers, duly authorized, in connection with the issuance of \$16,415,000 Bond Anticipation Notes, dated as of December 19, 2014 of the Issuer (the "Notes"), for the benefit of the beneficial owners from time to time of the Notes.

Section 1. Definitions. For purposes of this Agreement, the following capitalized terms shall have the following meanings:

"MSRB" means the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto.

"Repository" means the MSRB or any other information repository established pursuant to the Rule as amended from time to time.

"Rule" means Rule 15c2-12 under the Securities Exchange Act of 1934, as of the date of this Agreement.

"SEC" means the Securities and Exchange Commission of the United States, or any successor thereto.

Section 2. Notice of Certain Events.

The Issuer agrees to provide or cause to be provided, in a timely manner not in excess of ten business days after the occurrence of the event, to each Repository, notice of the occurrence of any of the following events with respect to the Notes:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the notes, or other material events affecting the tax status of the Notes;
- (g) modifications to rights of holders of the Notes, if material;
- (h) Note calls, if material, and tender offers;
- (i) Note defeasances;

- (j) release, substitution, or sale of property securing repayment of the Notes, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the Issuer;
- (m) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Section 3. Use of Agents.

Notices to be provided pursuant to this Agreement may be provided by the Issuer or by any agents which may be employed by the Issuer for such purpose from time to time.

Section 4. Termination.

The obligations of the Issuer under this Agreement shall terminate upon the earlier of (i) payment or legal defeasance, at maturity or otherwise, of all of the Notes, or (ii) such time as the Issuer ceases to be an obligated person with respect to the Notes within the meaning of the Rule.

Section 5. Enforcement.

The Issuer acknowledges that the undertakings set forth in Section 2 of this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Notes. In the event the Issuer shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure within a reasonable time (but not exceeding five business days with respect to the undertakings set forth in Section 2 of this Agreement) from the time the Issuer's Finance Director, or a successor, receives written notice from any beneficial owner of the Notes of such failure. The present address of the Finance Director is Town Hall, 20 East High Street, East Hampton, Connecticut 06424.

In the event the Issuer does not cure such failure within the time specified above, the beneficial owner of any Notes shall be entitled only to the remedy of specific performance. The parties expressly acknowledge and agree that no monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Notes.

Section 6. Miscellaneous.

(a) All documents provided by the Issuer to a Repository pursuant to the Issuer's undertakings set forth in Section 2 of this Agreement shall be in an electronic format as prescribed by the MSRB from time to time and shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(b) The Issuer shall have no obligation to provide any information, data or notices other than as set forth in this Agreement; provided, however, nothing in this Agreement shall be construed as prohibiting the Issuer from providing such information, data or additional notices from time to time as it deems appropriate in connection with the Notes. If the Issuer elects to provide any such information, data or additional notices, the Issuer shall have no obligation under this Agreement to update or continue to provide further information, data or additional notices of the type so provided.

(c) This Agreement shall be governed by the laws of the State of Connecticut.

(d) Notwithstanding any other provision of this Agreement, the Issuer may amend this Agreement, and any provision of this Agreement may be waived, if such amendment or waiver is made in connection with a change of circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Issuer, and is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver would not materially adversely affect the beneficial owners of the Notes, and (ii) the provisions of the Agreement as so amended or waived would have complied with the requirements of the Rule, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances, in each case as of the date of such amendment to the Agreement or waiver. A copy of any such amendment or waiver will be filed in a timely manner with each Repository.

(e) This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but such counterparts shall together constitute but one and the same instrument.

TOWN OF EAST HAMPTON

By: _____
Barbara Moore
Chairman, Town Council

By: _____
Michael Maniscalco
Town Manager

By: _____
Jeffery M. Jylkka
Finance Director

Appendix D

Notice of Sale and Bid Form

NOTICE OF SALE
\$16,415,000
Town of East Hampton, Connecticut
Bond Anticipation Notes
(BOOK-ENTRY)

TELEPHONE PROPOSALS, SEALED PROPOSALS and ELECTRONIC BIDS via PARITY® will be received by the Town of East Hampton, Connecticut at Phoenix Advisors, LLC, 53 River Street, Suite 1, Milford, Connecticut until **11:30 A.M. Eastern Time on WEDNESDAY,**

DECEMBER 10, 2014

for the purchase of \$16,415,000 Bond Anticipation Notes of the Town of East Hampton, dated December 19, 2014, maturing on December 18, 2015 (the "Notes").

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

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

DTC Book-Entry. The Notes will be issued by means of a book-entry system with no physical distribution of note certificates made to the public. The Notes will be issued in registered form and one note certificate for each interest rate will be issued to The Depository Trust Company ("DTC"), New York, New York, registered in the name of its nominee, Cede & Co., and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the Notes in principal amounts of \$5,000, with transfers of ownership effected on the records of DTC and its Participants pursuant to rules and procedures adopted by DTC and its Participants. The purchaser, as a condition to delivery of the Notes, will be required to deposit the note certificates with DTC, registered in the name of Cede & Co. Principal of and interest on the Notes will be payable by the Town or its agent to DTC or its nominee as registered owner of the Notes. Principal and interest payments by DTC to Participants of DTC will be the responsibility of DTC; principal and interest payments to Beneficial Owners by Participants of DTC will be the responsibility of such Participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for payments by DTC to its Participants or by DTC Participants or Indirect Participants to Beneficial Owners or for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants.

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

Proposals. Proposals may be made for all or any part of the Notes. No proposal for less than the minimum denomination or for less than par and accrued interest will be entertained. Each proposal must state one rate of interest in a multiple of one-hundredth (1/100) of one-percent (1%) per annum for each part of the Notes bid for in the proposal. For the purpose of the bidding process, the time as maintained on PARITY® shall constitute the official time. For information purposes only, bidders are requested to state in their bids the net interest rate to the Town, as described under "Basis of Award" below, represented by the rate or rates of interest and the bid price specified in their respective bids.

Telephone Proposals Bidding Procedure. Telephone bids for the purchase of the Notes will be received on behalf of the Town by telephone call to an authorized agent of Phoenix Advisors, LLC, the Town's financial advisor, at (203) 878-4945.

Sealed Proposals Bidding Procedure. All sealed proposals for the purchase of the Notes shall be submitted on forms furnished by the Town and submitted at the time and place indicated above. All proposals must be enclosed in sealed envelopes marked on the outside, in substance, "Proposal for East Hampton Notes." All proposals should be addressed to Mr. Jeffery M. Jylkka, Finance Director, Town of East Hampton, c/o Phoenix Advisors, LLC, 53 River Street, Suite 1, Milford, Connecticut 06460.

Electronic Proposals Bidding Procedure. Electronic bids for the purchase of the Notes must be submitted through the facilities of PARITY®. Any prospective bidder must be a subscriber of I-Deal's Bidcomp competitive bidding system. Further information about PARITY®, including any fee charged, may be obtained from PARITY®, 1359 Broadway, 2nd Floor, New York, New York 10018, Attention: Customer Service Department (telephone: (212) 849-5021, email notice: parity@i-deal.com). The Town neither will confirm any subscription nor be responsible for any failure of a prospective bidder to subscribe.

Once an electronic bid made through the facilities of PARITY® is communicated to the Town, it shall constitute an irrevocable offer, in response to this Notice, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the Town. By submitting a bid for the Notes via PARITY®, the bidder represents and warrants to the Town that such bidder's bid for the purchase of the Notes is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder by an irrevocable offer and that acceptance of such bid by the Town will bind the bidder by a legal, valid and enforceable contract, for the purchase of the Notes on the terms described in this Notice. **The Town shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of PARITY®, the use of such facilities being the sole risk of the prospective bidder.**

Disclaimer - Each PARITY® prospective electronic bidder shall be solely responsible to make necessary arrangements to access PARITY® for the purposes of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the Town nor PARITY® shall have any duty or obligation to undertake such arrangements to bid for any prospective bidder or to provide or assure such access to any prospective bidder, and neither the Town nor PARITY® shall be responsible for a bidder's failure to make a bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, PARITY®. The Town is using PARITY® as a communication mechanism, and not as the Town's agent, to conduct the electronic bidding for the Notes. The Town is not bound by any advice and determination of PARITY® to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the bid requirements herein set forth. All costs and expenses incurred by prospective bidders in connection with their subscription to, arrangements with and submission of bids via PARITY® are the sole responsibility of the bidders; and the Town is not responsible, directly or indirectly, for any such costs or expenses. If a prospective bidder encounters any difficulty in arranging to bid or submitting, modifying or withdrawing a bid for the Notes, the prospective bidder should telephone PARITY® at (212) 849-5021. If any provision of this Notice of Sale shall conflict with information provided by PARITY®, this Notice of Sale shall control.

All electronic bids shall be deemed to incorporate the provisions of this Notice of Sale and the form of Proposal for Notes.

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

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

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

Certifying and Paying Agent. The Notes will be authenticated by U.S. Bank National Association, Hartford, Connecticut. U.S. Bank National Association will act as Registrar and Paying Agent.

Delivery. At or prior to the delivery of the Notes the successful bidder shall be furnished, without cost, with (a) the approving opinion of Day Pitney LLP of Hartford, Connecticut, Bond Counsel, substantially in the form set out in Appendix B to the Official Statement; (b) a signature and no litigation certificate, in form satisfactory to said firm, dated as of the date of delivery of the Notes and receipt of payment therefor, and stating that there is no litigation pending, or to the knowledge of the signer or signers thereof threatened, affecting the validity of the Notes or the power of the Town to levy and collect taxes to pay them; (c) a signed copy of the Official Statement prepared for this Note issue; (d) a certificate of Town Officials relating to the accuracy and completeness of the Official Statement; (e) a Continuing Disclosure Agreement; and (f) a receipt of payment for the Notes. U.S. Bank National Association will [keep](#) the original opinion and certificates and copies of the supporting documents, which may be examined at its principal office in Hartford, Connecticut, upon reasonable notice.

Bond Counsel Opinion. The opinion of Bond Counsel will cover the following matters: (1) that the Notes will be valid general obligations of the Town when duly certified; (2) that, assuming the accuracy of and compliance by the Town with its representations and covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended, under existing statutes, interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; the Notes are not "private activity bonds" and interest on the Notes is not treated as a preference item for purposes of calculating the Federal alternative minimum tax, but in the case of corporations a portion of such interest may be included in alternative minimum taxable income for purposes of computing any Federal alternative minimum tax; and (3) that, under existing statutes, interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the Notes is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. The Notes will *not* be "qualified tax-exempt obligations" for purposes of the deduction by financial institutions of interest expenses that is allocable to tax-exempt obligations.

Official Statement. The Town of East Hampton has prepared a preliminary Official Statement for the Note issue which is dated December 3, 2014. The Town deems such preliminary Official Statement final as of its date for purposes of SEC Rule 15c2-12(b)(1) but it is subject to revision or amendment. The Town will make available to each winning purchaser 5 copies of the Official Statement as prepared by the Town at the Town's expense. The copies of the Official Statement will be made available to the winning purchaser(s) at the office of the Town's financial advisor, Phoenix Advisors, LLC, Milford, Connecticut, by the delivery of the Notes or by the seventh business day after the day bids on the Notes are received if earlier. The purchaser shall arrange with the financial advisor the method of delivery of the copies of the Official Statement to the purchaser. Additional copies of the Official Statement may be obtained by the purchaser at its own expense by arrangement with the printer.

Continuing Disclosure Agreement. The Town will enter into a Continuing Disclosure Agreement with respect to the Notes, substantially in the form attached as Appendix C to the Official Statement (the "Continuing Disclosure Agreement for Notes"), to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2-12, timely notice of the occurrence of certain material events with respect to the Notes. The winning bidder's obligation to purchase the Notes shall be conditioned upon its receiving, at or prior to the delivery of the Notes, an executed copy of the Continuing Disclosure Agreement for Notes.

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

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

Delivery Date and Payment. The Notes will be delivered against payment in immediately available Federal funds through the facilities of The Depository Trust Company, New York, New York on December 19, 2014.

More Information. For more information regarding this issue and the Town reference is made to Official Statement. Proposal forms and copies of the Official Statement may be obtained from Mr. Matthew Spoerndle, Phoenix Advisors, LLC, 53 River Street, Suite 1, Milford, Connecticut 06460 (telephone: (203) 878-4945) or from Mr. Jeffery M. Jylkka, Finance Director, Town of East Hampton, Town Hall, 20 East High Street, East Hampton, Connecticut 06424 (telephone: (860) 267-7548).

BARBARA MOORE,
Chairman, Town Council

MICHAEL MANISCALCO,
Town Manager

JEFFERY M. JYLKKA,
Finance Director

December 3, 2014

PROPOSAL FOR NOTES

December 10, 2014

Mr. Jeffery M. Jylkka
Finance Director
Town of East Hampton
c/o Phoenix Advisors, LLC
53 River Street, Suite 1
Milford, Connecticut 06460

Subject to the provisions and in accordance with the terms of the annexed Notice of Sale dated December 3, 2014 which is hereby made a part of this proposal, we hereby offer to purchase the principal amount of the Notes specified below at the interest rate per annum plus the premium, if any, specified below, and to pay therefor said principal amount, premium, if any, and interest accrued on said Notes to the date of their delivery, if any. The following is our computation of the net interest rate, made as provided in the above-mentioned Notice of Sale, but not constituting any part of the foregoing proposal.

Of the \$16,415,000 Bond Anticipation Notes of the Town of East Hampton, dated December 19, 2014, maturing December 18, 2015, we bid the following:

Principal Amount	\$	_____	Principal Amount	\$	_____
Interest Rate		_____ %	Interest Rate		_____ %
Premium	\$	_____	Premium	\$	_____
Net Interest Rate		_____ % (four decimals)	Net Interest Rate		_____ % (four decimals)
Principal Amount	\$	_____	Principal Amount	\$	_____
Interest Rate		_____ %	Interest Rate		_____ %
Premium	\$	_____	Premium	\$	_____
Net Interest Rate		_____ % (four decimals)	Net Interest Rate		_____ % (four decimals)

Name of Bidder: _____

Address of Bidder: _____

Signature of Officer or
Authorized Agent of Bidder: _____

Telephone Number: _____

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