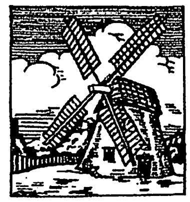
THE HOOK MILL

VILLAGE OF EAST HAMPTON

Settled 1648 - Incorporated 1920

FINANCIAL STATEMENTS

For the Year Ended July 31, 2012

INCORPORATED VILLAGE OF EAST HAMPTON

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SATTY, LEVINE & CIACCO, CPAs, P.C.
Certified Public Accountants & Business Advisors
Since 1949...People...Relationships...Results.

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Board of Trustees of the
Incorporated Village of East Hampton:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Incorporated Village of East Hampton, East Hampton, New York (the "Village"), as of and for the year ended July 31, 2012, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Incorporated Village of East Hampton, as of July 31, 2012, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 10; the Schedule of Funding Progress for the Retiree Health Plan on page 40; and the budgetary comparison information on page 39 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.

Satty, Levine + Ciacco, CPAs, P.C.

SATTY, LEVINE & CIACCO, CPAs, P.C.

Jericho, New York
December 28, 2012

125 Jericho Turnpike | Jericho, New York 11753 | 516-338-9500 | 516-338-8862 fax | www.satty.com

INCORPORATED VILLAGE OF EAST HAMPTON
Management's Discussion and Analysis
For the Year Ended July 31, 2012

This section of the Village of East Hampton's (the "Village") annual financial report presents a discussion and analysis of the Village's financial performance during the fiscal year ended July 31, 2012. Please read it in conjunction with the Village's financial statements.

1. FINANCIAL HIGHLIGHTS

- The Village's total net assets, as reflected in the government-wide financial statements, decreased by $640,901 (4.1%).

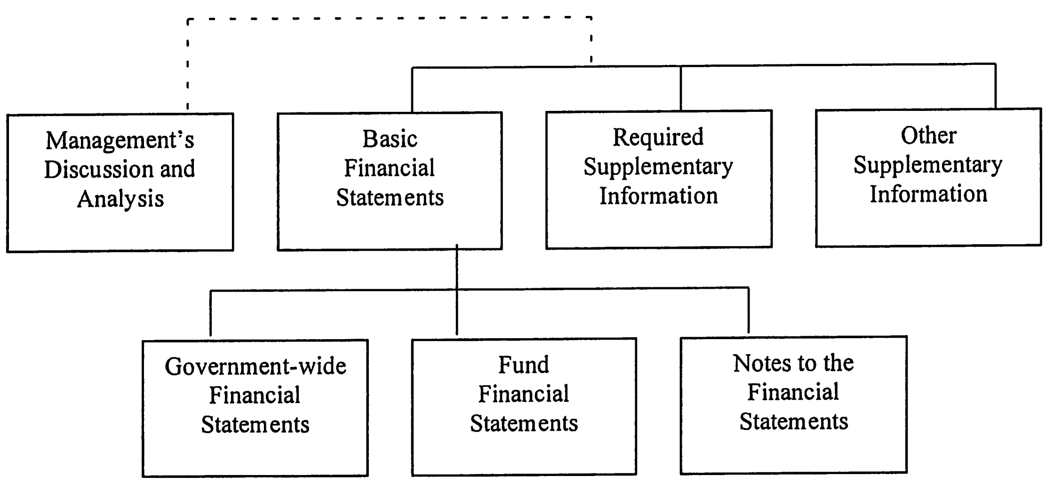
- The Village's general fund balance, as reflected in the fund financial statements, increased by $335,209 (10.1%).

- Long-term debt of $6,400,000 decreased from $6,995,000, due to principal payments of $595,000 made during the year. Long-term debt of $6,400,000 is 1.95% of the statutory limit. Total annual debt service of $881,129 represents 5.0% of general fund expenditures.

- The Village implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB) during the prior year. Under the accrual basis of accounting, the Village is now required to record, as a current year expense, the cost of providing health retirement benefits to active and retired employees. During the year ended July 31, 2012, the Village recorded an increase in the net OPEB obligation of $605,680 relating to these benefits resulting in a total net OPEB obligation of $1,486,936.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – management's discussion and analysis (MD&A), the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. A graphic display of the relationship of these statements follows:



A. Government-Wide Financial Statements

The government-wide financial statements are organized to provide an understanding of the fiscal performance of the Village as a whole in a manner similar to a private sector business. There are two government-wide financial statements – the Statement of Net Assets and the Statement of Activities. These statements provide both an aggregate and long-term view of the Village's finances.

These statements utilize the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Assets

The Statement of Net Assets presents information on all of the Village's assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The Statement of Activities

The Statement of Activities presents information showing the change in net assets during the fiscal year. All changes in net assets are recorded at the time the underlying financial event occurs. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

B. Fund Financial Statements

The fund financial statements provide more detailed information about the Village's funds, not the Village as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the Village are reported in the governmental funds and the fiduciary funds.

These statements utilize the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period that they become measurable and available. It recognizes expenditures in the period that they become measurable, funded though available resources and payable within a current period.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental fund financial statements focus on shorter term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the Village's operations and the services it provides.

Because the focus of governmental funds is narrower than that of 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, you may better understand the long-term impact of the Village's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village maintains two individual governmental funds: general fund and capital fund; each of which is considered to be a major fund and is presented separately in the fund financial statements.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the Village in its capacity as agent or trustee. All of the Village's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. The fiduciary activities have been excluded from the Village's government-wide financial statements because the Village cannot use these assets to finance its operations.

3. FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

A. Net Assets

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the Village, assets exceeded liabilities by $14,968,612 at the close of the fiscal year.

	2012	2011	Change	Percentage Change
Assets:				
Current and other assets	$ 3,890,639	$ 3,902,859	$ (12,220)	-0.31%
Capital assets, net	25,840,273	25,514,087	326,186	1.28%
Total Assets	29,730,912	29,416,946	313,966	1.07%
Liabilities:				
Current and other liabilities	2,187,911	2,366,552	(178,641)	-7.55%
Long-term liabilities	11,087,453	10,559,625	527,828	5.00%
Net other postemployment benefit obligation	1,486,936	881,256	605,680	68.73%
Total Liabilities	14,762,300	13,807,433	954,867	6.92%
Net Assets:				
Investment in capital assets, net of related debt	17,140,755	17,126,773	13,982	0.08%
Restricted	247,646	179,189	68,457	38.20%
Unrestricted net assets (deficit)	(2,419,789)	(1,696,449)	(723,340)	42.64%
	$ 14,968,612	$ 15,609,513	$ (640,901)	-4.11%

Current and other assets decreased by $12,220, as compared to the prior year. This decrease is evidenced by a decrease in the Village's Cash balances $125,000, an increase in Prepaid Expenses of $144,000, a decrease in accounts receivable $7,700, an increase in Due from Other Governments $52,500 and a decrease in Grants Receivable $76,000.

Capital assets, net increased by $326,186, as compared to the prior year. This increase was due to capital additions primarily made through the capital projects fund, net of the current year's depreciation expense. Please see Note 6 – Capital Assets for additional information.

Current and other liabilities decreased by $178,641, as compared to the prior year. This decrease is primarily due to a decrease in accounts payable $291,700, accrued interest $8,800, and retainage $24,100, an increase in due to retirement system $88,500 and deferred revenues $57,500.

Long-term liabilities increased by $527,828, as compared to the prior year. This increase is primarily due to the current year bond principal payments $595,000, a net increase in the compensated absences liability $215,600 and a net increase in BANs payable $907,000.

Net OPEB obligation in the amount of $1,486,936 has been included in the financial statements. Note 16 "Post Employment Benefits" provides additional information regarding the OPEB obligation.

The net assets invested in capital assets, net of related debt, relates to the investment in capital assets at cost such as: land, construction in progress, buildings, artwork, land improvements, machinery and equipment, furniture and fixtures, and infrastructure, net of depreciation and related debt. This number increased over the prior year by $13,982 as follows:

	Increase (Decrease)
Capital asset additions financed by local source revenues	$ 1,679,476
Net bond anticipation notes (BANs) issued	(907,204)
Principal debt reduction of construction bonds	595,000
Depreciation expense	(1,353,290)
	$ 13,982

The restricted net assets in the amount of $247,646 represent the Village's insurance and capital projects reserves. This number increased from the prior year by $68,457 principally as a result of additional board approved transfers to the reserves and interest income.

The unrestricted net assets in the amount of $(2,419,789) represents the deficit net assets as a result of unfunded compensated absences and OPEB obligations. This amount increased from the prior year by $723,340.

B. Changes in Net Assets

Government activities. Government activities decreased the Village's assets by $640,901. Expenses for the year exceeded revenues by this amount. The following table indicates the changes in net assets for governmental activities:

	2012	2011	Increase (Decrease)	Percentage Change
Revenues				
Program revenues				
Charges for services	$ 5,760,017	$ 5,609,502	$ 150,515	2.68%
General revenues				
Property taxes	11,413,549	11,284,501	129,048	1.14%
Utilities gross receipts tax	134,812	147,144	(12,332)	-8.38%
Franchise fee	103,811	102,193	1,618	1.58%
Mortgage tax	397,339	438,368	(41,029)	-9.36%
Unrestricted investment earnings	12,840	18,884	(6,044)	-32.01%
Insurance recoveries	9,198	58,921	(49,723)	-84.39%
Federal, state, local sources	533,290	591,038	(57,748)	-9.77%
Gain (loss) on sale/retirement of capital assets	-	(1,584)	1,584	-100.00%
Miscellaneous	7,307	43,872	(36,565)	-83.34%
Total revenues	18,372,163	18,292,839	79,324	0.43%
Expenses				
General government support	3,611,038	4,019,982	(408,944)	-10.17%
Public safety	10,672,414	9,264,057	1,408,357	15.20%
Health	98,819	81,766	17,053	20.86%
Transportation	2,059,234	2,484,789	(425,555)	-17.13%
Culture and recreation	1,212,745	1,124,568	88,177	7.84%
Home and community services	1,081,560	982,577	98,983	10.07%
Debt services - interest	277,254	296,217	(18,963)	-6.40%
Total expenses	19,013,064	18,253,956	759,108	4.16%
Increase/(Decrease) in net assets	$ (640,901)	$ 38,883	$ (679,784)	-1748.28%

The Village's net assets decreased by $640,901 and increased by $38,883 for the years ended July 31, 2012 and 2011, respectively.

The Village's revenues increased by $79,324 (0.43%). This increase is due to the net effect of an increase in charges for services (increase in rental income from the Sea Spray cottages) $150,500, and real property taxes $129,000, and decrease in Federal, state and local source income $44,600, mortgage tax $41,000, insurance recoveries $50,000, and miscellaneous $49,000.

The Village's expenses increased by $759,108 (4.16%). The increase was mainly the result of a net increase of $606,000 in the OPEB obligation.

Business-type activities. The Village does not have any business type activities.

4. FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

At July 31, 2012, the Village's governmental funds reported a combined fund balance of $1,501,385, which is a decrease of $603,373 from the prior year. A summary of the change in fund balance by fund presented in accordance with GASB 54 classifications is as follows.

	2012	2011	Changes
Nonspendable:			
Prepaid expenses	$ 196,400	$ -	$ 196,400
Restricted:			
Insurance	93,008	92,999	9
Capital Projects	154,638	86,190	68,448
Assigned:			
Appropriated Fund Balance	600,000	600,000	-
Unappropriated Fund Balance	140,116	443,944	(303,828)
Unassigned: Fund Balance	317,223	881,625	(564,402)
Total Fund Balance	$ 1,501,385	$ 2,104,758	$ (603,373)

The net change in the governmental fund-fund balance is a decrease of $603,373, as expenditures and other uses of $19,033,282 exceeded revenues and other sources of $18,429,909. In 2011, the net change was a decrease of $63,507.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2011-2012 Budget

The Village's general fund adopted budget for the year ended July 31, 2012 was $18,329,216. This amount was increased by encumbrances carried forward from the prior year in the amount of $298,162 and a budget revision of $207,627 for a total budget of $18,835,005.

The budget was funded through a combination of revenues and designated fund balance. The major funding sources were real property taxes $11,413,549, intergovernmental charges $2,425,307, use of money and property $1,051,190 and licenses and permits $1,398,192.

B. Change in General Fund's Unassigned Fund Balance (Budget to Actual)

The general fund's unassigned fund balance is the component of total fund balance that is the residual of prior year's excess revenues over expenditures, net transfers to reserves and designations to fund the subsequent year's budget. It is this balance that is commonly referred to as the "fund balance". The change in this balance demonstrated through a comparison of actual revenues and expenditures for the year compared to budget follows:

Opening, Unassigned Fund Balance	$ 2,319,895
Revenues over Budget	493,055
Expenditures and Encumbrances under Budget	600,200
Prepaid expenses	(196,400)
Interest Transferred into Reserves	(9)
Appropriated for July 31, 2012 Budget	(600,000)
Closing - Unassigned Fund Balance	$ 2,616,741

Opening – Unassigned Fund Balance

The $2,319,895 shown in the table is the portion of the Village's July 31, 2011, fund balance that was retained as undesignated fund balance.

Revenues Over Budget

The 2011-2012 final budget for revenues was $17,936,843. Actual revenues received for the year were $18,429,898. The excess of actual revenue over estimated or budgeted revenue was $493,055. This excess is primarily due to the Village receiving additional departmental income $102,000, license and permit fees of $161,000 and Federal, state and county aid of $139,000.

Expenditures and Encumbrances Under Budget

The 2011-2012 final budget for expenditures, including prior year encumbrances and budget revisions as of July 31, 2011, was $18,835,005. Actual expenditures as of July 31, 2012, were $17,752,896 and outstanding encumbrances were $140,116. Combined, the expenditures plus encumbrances for 2011-2012 were $17,893,012. The final budget was under expended by $600,200. This under expenditure contributes to the change to the undesignated portion of the general fund balance from August 1, 2011 to July 31, 2012. The under expenditure is principally within the operating transfers out, transportation, and culture and recreation codes within the budget.

Prepaid Expenses

Prepaid expenses are a current use of resources, however, they relate to a period beyond the current fiscal year and, therefore, decrease the unassigned portion of the general fund – fund balance.

Interest Transferred Into Reserves

Revenues such as interest earned in a general fund reserve increases the reserve and, therefore, decreases the undesignated portion of the general fund – fund balance. $9 of interest was earned in the Insurance Reserve.

Assigned - Appropriated Fund Balance

The Village has chosen to use $600,000 of its available July 31, 2012, fund balance to partially fund its 2012-2013 operating budget. As such, the unassigned portion of the July 31, 2012, fund balance must be reduced by this amount.

Closing – Unassigned Fund Balance

Based upon the summary of changes shown in the above table, the unassigned fund balance at July 31, 2012 is $2,616,741. This is an increase of $296,846 from the unassigned fund balance as of July 31, 2011.

6. CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

The Village's investment in capital assets for its governmental activities includes land, artwork, infrastructure, buildings and equipment. The net increase in the Village's investment in capital assets was due to capital asset additions in excess of depreciation for the year ended July 31, 2012. A summary of the Village's capital assets, net of depreciation at July 31, 2012 and 2011 is as follows:

	2012	2011	Increase (Decrease)
Land	$ 8,504,562	$ 8,504,562	$ -
Buildings	7,386,307	7,293,194	93,113
Land improvements	971,421	1,045,111	(73,690)
Machinery and equipment	1,972,382	2,130,004	(157,622)
Furniture and fixtures	43,860	47,263	(3,403)
Artwork	371,200	371,200	-
Infrastructure	6,590,541	5,947,791	642,750
Construction in progress	-	174,962	(174,962)
Total Capital Assets, net	$ 25,840,273	$ 25,514,087	$ 326,186

B. Short-Term Debt

At July 31, 2012, the Village had total bond anticipation notes (BANs) of $2,299,518. The BANs were issued for Village improvements in anticipation of issuing bonds. The increase in outstanding BANs represented proceeds from the issuance of short-term debt during the year ended July 31, 2012. A summary of the outstanding short-term debt at July 31, 2012 and 2011 is as follows:

Issue Date	Interest Rate	2012	2011	Increase (Decrease)
11/19/2010	0.85%	$ -	$ 730,000	$ (730,000)
7/19/2012	0.73%	648,955	662,314	(13,359)
11/18/2011	0.82%	670,000	-	670,000
6/28/2012	0.75%	980,563	-	980,563
		$ 2,299,518	$ 1,392,314	$ 907,204

C. Long-Term Debt

At July 31, 2012, the Village had total bonds payable of $6,400,000. The bonds were issued for Village improvements. The decrease in outstanding debt represents principal payments. There were no new issuances of long-term debt during the year ended July 31, 2012. A summary of the outstanding long-term debt at July 31, 2012 and 2011 is as follows:

Issue Date	Interest Rate	2012	2011	Increase (Decrease)
3/12/2003	3.500 - 4.000%	$ 3,150,000	$ 3,370,000	$ (220,000)
4/1/2006	3.625 - 3.875%	1,275,000	1,450,000	(175,000)
11/1/2008	4.375 - 4.75%	1,975,000	2,175,000	(200,000)
		$ 6,400,000	$ 6,995,000	$ (595,000)

The Village's latest credit rating from Moody's Investors Services is an Aa3. The Village's total outstanding indebtedness is significantly less than its debt limit. The debt limit is 7% of its five-year valuation of the taxable real property within the Village.

7. Economic Factors and Next Year's Budget and Rates

The 2012-2013 budget appropriations are $636,574 (3.5%) more than the current year's budget and reflect increased revenue expectations and the positive variance in the current year's expenditures to budget. Every major category of the appropriations budget is about equal to the prior year. Revenue other than property taxes is expected to increase by $251,000 (3.9%). This is the result of increases in rents of $24,000, parking fees $144,000, building permit fees $15,000, and services provided to fire districts for emergency communications $55,000. Property tax collections will increase by $376,000, approximately 3.3%. The economy has stabilized with small increases in economic based revenue anticipated in the coming year.

8. Contacting the Village's Financial Management

This financial report is designed to provide the reader with a general overview of the Village's finances and to demonstrate the Village's accountability for the funds it receives. Any questions about this report or need for any additional information should be directed to:

Larry Cantwell
Village Administrator
Incorporated Village of East Hampton
86 Main Street
East Hampton, New York, 11937

INCORPORATED VILLAGE OF EAST HAMPTON
Statement of Net Assets
July 31, 2012

ASSETS	
Cash	$ 2,992,339
Restricted cash	247,646
Accounts receivable	81,811
Prepaid expenses	196,400
Due from other governments	372,443
Capital assets not being depreciated	8,875,762
Capital assets being depreciated, net of accumulated depreciation	16,964,511
Total Assets	$ 29,730,912
LIABILITIES	
Accounts payable and accrued expenses	$ 72,068
Accrued interest	89,227
Deferred revenues	1,490,025
Due to retirement system	536,591
Long-term balances:	
Due and payable within one year	
Bonds payable	605,000
BANs payable	2,299,518
Compensated absences	119,397
Due and payable after one year	
Bonds payable	5,795,000
Compensated absences	2,268,538
Net other postemployment benefits obligation	1,486,936
Total Liabilities	14,762,300
NET ASSETS	
Invested in capital assets, net of related debt	17,140,755
Restricted	247,646
Unrestricted net assets (deficit)	(2,419,789)
Total Net Assets	14,968,612
Total Liabilities and Net Assets	$ 29,730,912

See accompanying notes and independent auditor's report.

INCORPORATED VILLAGE OF EAST HAMPTON
Statement of Activities
For the Year Ended July 31, 2012

	Expenses	Program Revenues: Fees, Fines and Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Assets
PROGRAMS / FUNCTIONS					
General government support	$ 3,611,038	$ 72,829	$ 14,828	$ -	$ (3,523,381)
Public safety	10,672,414	4,458,959	124,105	386,357	(5,702,993)
Health	98,819	1,790			(97,029)
Transportation	2,059,234	-			(2,059,234)
Culture and recreation	1,212,745	1,188,873		8,000	(15,872)
Home and community service	1,081,560	37,566			(1,043,994)
Debt service - interest	277,254	-			(277,254)
Total Programs and Functions	$ 19,013,064	$ 5,760,017	$ 138,933	$ 394,357	(12,719,757)
GENERAL REVENUES					
Taxes:					
Property taxes, levied for general purposes					11,413,549
Utilities gross receipts tax					134,812
Franchise taxes					103,811
Insurance recoveries					9,198
Mortgage tax					397,339
Miscellaneous					7,307
Unrestricted investment earnings					12,840
Total General Revenues					12,078,856
Change in net assets					(640,901)
Net Assets - Beginning of Year					15,609,513
Net Assets - End of Year					$ 14,968,612

See accompanying notes and independent auditor's report.

INCORPORATED VILLAGE OF EAST HAMPTON
Balance Sheet
Governmental Funds
July 31, 2012

	General Fund	Capital Projects	Total Governmental Funds
ASSETS			
Cash	$ 2,992,339	$ -	$ 2,992,339
Restricted cash	93,008	154,638	247,646
Accounts receivable	64,143		64,143
Due from other governments	372,443		372,443
Prepaid expenses	196,400		196,400
Total Assets	$ 3,718,333	$ 154,638	$ 3,872,971
LIABILITIES			
Accounts payable	$ 72,068	$	$ 72,068
Bond anticipation notes		2,299,518	2,299,518
Total Liabilities	72,068	2,299,518	2,371,586
FUND BALANCES			
Nonspendable: Prepaid expenses	196,400		196,400
Restricted:			
Insurance	93,008		93,008
Capital		154,638	154,638
Assigned:			
Appropriated fund balance	600,000		600,000
Unappropriated fund balance	140,116		140,116
Unassigned: Fund balance	2,616,741	(2,299,518)	317,223
Total Fund Balances	3,646,265	(2,144,880)	1,501,385
Total Liabilities and Fund Balances	$ 3,718,333	$ 154,638	$ 3,872,971

See accompanying notes and independent auditor's report.

INCORPORATED VILLAGE OF EAST HAMPTON
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
For the Year Ended July 31, 2012

Total Governmental Fund Balances		$ 1,501,385
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
The cost of building and acquiring capital assets (land, buildings, roads, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Assets includes those capital assets among the assets of the Village as a whole, and their original costs are expensed annually over their useful lives.		
Original cost of capital assets	$ 41,264,808	
Accumulated depreciation	(15,424,535)	
		25,840,273
Certain accounts receivable are not considered available in the current period and therefore are not reported in the funds		17,668
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Accrued bond interest	(89,227)	
Accrued pension liability	(536,591)	
Deferred revenues	(1,490,025)	
Accrued compensated absences	(2,387,935)	
Bonds payable	(6,400,000)	
OPEB obligation	(1,486,936)	
		(12,390,714)
Total Net Assets		$ 14,968,612

See accompanying notes and independent auditor's report.

INCORPORATED VILLAGE OF EAST HAMPTON
Statements of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended July, 2012

	General Fund	Capital Projects	Total Governmental Funds
REVENUES			
Real property taxes	$ 11,336,656	$	$ 11,336,656
Payment in lieu of taxes	76,893		76,893
Non-property taxes	238,800		238,800
Departmental income	384,850		384,850
Intergovernmental charges	2,425,307		2,425,307
Use of money and property	1,051,190	11	1,051,201
Licenses and permits	1,398,192		1,398,192
Fines and forfeitures	498,191		498,191
Sale of property and compensation for loss	16,505		16,505
State and County aid	738,503		738,503
Federal aid	192,126		192,126
Miscellaneous	72,685		72,685
Total Revenues	18,429,898	11	18,429,909
EXPENDITURES			
General government	2,247,133		2,247,133
Public safety	6,621,259		6,621,259
Health	98,819		98,819
Transportation	1,207,597	1,137,625	2,345,222
Culture and recreation	837,255	142,761	980,016
Home and community service	710,601		710,601
Employee benefits	5,149,103		5,149,103
Debt service:			
Principal	595,000		595,000
Interest	286,129		286,129
Total Expenditures	17,752,896	1,280,386	19,033,282
Excess (Deficiency) of Revenues Over Expenditures	677,002	(1,280,375)	(603,373)
OTHER FINANCING SOURCES AND (USES)			
Operating transfers in		341,793	341,793
Operating transfers out	(341,793)		(341,793)
Total Other Financing Sources and (Uses)	(341,793)	341,793	-
Net Change in Fund Balances	335,209	(938,582)	(603,373)
Fund Balance (Deficit) - Beginning of Year	3,311,056	(1,206,298)	2,104,758
Fund Balance (Deficit) - End of Year	$ 3,646,265	$ (2,144,880)	$ 1,501,385

See accompanying notes and independent auditor's report.

INCORPORATED VILLAGE OF EAST HAMPTON
Reconciliation of the Government Funds Statements of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended July 31, 2012

Net change in fund balances - total governmental funds		$ (603,373)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital asset purchases capitalized	$ 1,679,476	
Depreciation expense	(1,353,290)	
		326,186
Revenues that are deferred in the Statement of Activities that provide current financial resources are reported as revenues in the funds:		
Increase in deferred revenues from the prior year		(57,569)
The issuance of long term debt 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. The issuance/repayment increases/decreases long term liabilities in the Statement of Net Assets:		
Bond principal payments		595,000
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 government funds:		
(Increase) decrease from the prior year:		
Accrued pension expense	(88,539)	
Accrued interest expense	8,875	
Accrued compensated absences	(215,624)	
Accrued OPEB obligation	(605,680)	
		(900,968)
Some accounts receivable will not be collected for several months after the Village's fiscal year end, they are not considered available revenues in the governmental funds:		
Increase in accounts receivable from the prior year		(177)
Change in Net Assets of Governmental Activities		$ (640,901)

See accompanying notes and independent auditor's report.

INCORPORATED VILLAGE OF EAST HAMPTON
Statement of Fiduciary Net Assets
Fiduciary Funds
July 31, 2012

	Agency Funds	Employee Retirement Plans	Private Purpose Trust
ASSETS			
Cash	$ 106,332	$ 3,079	$ 60,036
Investments		6,466,257	
Contribution receivable		259,570	
Total Assets	$ 106,332	$ 6,728,906	$ 60,036
LIABILITIES			
Bid deposits payable	$ 106,332	$	$
Held in trust for pension benefits and other purposes		6,728,906	60,036
Total Liabilities	$ 106,332	$ 6,728,906	$ 60,036

See accompanying notes and independent auditor's report.

INCORPORATED VILLAGE OF EAST HAMPTON
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended July 31, 2012

	Employee Retirement Plans	Private Purpose Trust
ADDITIONS		
Contributions:		
Employer	$ 192,041	$
Plan members	341,065	
Total Contributions	533,106	-
Investment earnings:		
Net increase in fair value of investments	37,624	
Interest, dividends and gains/losses	131,854	6
Total Investment Earnings	169,479	6
Total Additions	702,585	6
DEDUCTIONS		
Benefits	186,689	
Administration fees	37,734	
Tuition assistance		7,875
Total Deductions	224,423	7,875
Change in Net Assets	478,162	(7,869)
Net Assets - Beginning of Year	6,250,744	67,905
Net Assets - End of Year	$ 6,728,906	$ 60,036

See accompanying notes and independent auditor's report.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Incorporated Village of East Hampton (the "Village") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the Village are as follows:

A. Financial Reporting Entity

The Village is governed by the laws of New York State. The Village is an independent entity governed by an elected Board of Trustees consisting of five members. The President of the Board serves as the chief fiscal officer and the Village Administrator is the chief executive officer. The Board is responsible for, and controls all activities related to the Village. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The financial reporting entity is based on criteria set forth by GASB Statement No. 14, The *Financial Reporting Entity* and No. 39, *Determining Whether Certain Organizations are Component Units.* The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the Village. The Village is not a component unit of another reporting entity. The decision to include a potential component unit in the Village's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, there are no other entities which would be included in the Village's reporting entity.

B. Basis of Presentation

<u>Government-Wide Statements</u>

The Statement of Net Assets and the Statement of Activities present information about the overall governmental financial activities of the Village, except for fiduciary activities. Eliminations have been made to minimize the double counting of interfund transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The Statement of Net Assets presents the financial position of the Village at fiscal year end. The Statement of Activities presents a comparison between program expenses and revenues for each function of the Village's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants, contributions, and other revenues that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all real property taxes and general state aid, are presented as general revenues.

<u>Fund Statements</u>

The fund financial statements provide information about the Village's funds, including fiduciary funds. Separate statements for each fund category, governmental and fiduciary, are presented. The emphasis of fund financial statements is on major governmental funds as defined by GASB, each displayed in a separate column. The Village's financial statements reflect the following major fund categories:

Governmental Funds

General Fund -

General Fund is the main operating fund of the Village. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Capital Projects Fund -

Capital Projects Fund is used to account for funds received and expended for the construction, renovation, expansion and major improvement of various Village facilities, thoroughfares, arterial streets and drainage improvements, improvements and construction of parks and recreational facilities and acquisition of land and other large nonrecurring projects.

Fiduciary Funds

Fiduciary Funds are used to account for activities in which the Village acts as trustee or agent for resources that belong to others. These activities are not included in the government-wide financial statements, because their resources do not belong to the Village, and are n ot available to be used. There are two classes of fiduciary funds:

Agency Funds -

Agency Funds account for assets held by the Village in a purely custodial capacity. Since agency funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations. Agency Funds consist of bid deposits held by the Village.

Trust Funds -

Employee Retirement Plans -

Non-Expendable Trust Funds report fiduciary resources held in trust and the receipt, investment and distribution of retirement contributions. The Village's Service Awards Program is limited to the Volunteer Fire Department and Volunteer Ambulance Department. See Note 11.

Expendable Trust Funds report fiduciary resources held in trust and the receipt, investment and distribution of retirement contributions. The Village's Deferred Compensation Plan is available to all of the employees of the Village. See Note 12.

Private Purpose Trust -

Private Purpose Trust Funds report fiduciary resources held in trust until the donor restriction on the use is met. Private Purpose Funds consist of scholarship money.

C. Basis of Accounting and Measurement Focus

The government-wide and fiduciary fund financial statements are reported on the accrual basis of accounting using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the Village gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from real property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the related expenditures are incurred.

The fund statements are reported on the modified accrual basis of accounting using the current financial resources measurement focus. Revenues are recognized when measurable and available. The Village considers all revenues reported in the governmental funds to be available if the revenues are collected within 180 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, and other postemployment benefits, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

D. Budgetary Control

The Village Charter establishes the fiscal year as the twelve-month period beginning August 1st. The departments submit to the Village Administrator a budget of estimated expenditures for the ensuing fiscal year after which the Village Administrator subsequently submits a budget of estimated expenditures and revenues to the Board of Trustees by May 31st.

Upon receipt of the budget estimates, the Board of Trustees holds a public hearing on the proposed budget. Information about the budget resolution is then published in the official newspaper of the Village.

At least 41 days prior to August 1st, the budget is legally enacted through the adoption of the resolution. The Village Administrator is authorized to transfer budgeted amounts between line items and departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Trustees.

Budgeted amounts are as originally adopted or as amended by the Board of Trustees. Individual amendments that were not material in relation to the original appropriations were adopted by the Board of Trustees.

The Budgetary Comparison Schedule – General Fund presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results, except for the effect of encumbrances and unrealized investment gains and losses, which are adjusted to the actual results for this comparison.

E. Cash and Investments

Cash consists of cash on hand, bank deposits and investments with maturity date of three months or less from the date of acquisition.

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

F. Use of Estimates

The preparation of 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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

G. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Village's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these Notes.

H. Interfund Transactions

The operations of the Village include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The Village typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditure and revenues to provide financing or other services.

In the government - wide statements, the amounts reported on the Statement of Net Assets for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables are netted on the accompanying governmental funds balance sheet when it is the Village's practice to settle these amounts at a net balance based upon the right of legal offset.

A detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity is provided subsequently in these Notes.

I. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental activities columns in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if the actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant or equipment.

Assets capitalized, not including infrastructure assets, have an original cost of $1,000 or more and over three years of useful life. Infrastructure assets capitalized have an original cost of $5,000 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	50 years
Infrastructure	20 years
Machinery and Equipment	5-15 years
Land Improvements	20 years
Furniture and Fixtures	10 years

J. Accounts Receivable

Accounts receivable are shown gross. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

K. Deferred Revenue

Deferred revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Village before it has legal claim to them, as when contractual or rental fees are received in advance. In subsequent periods, when both recognition criteria are met, or when the Village has legal claim to the resources, the liability for deferred revenue is removed and revenues are recorded.

L. Compensated Absences

The Village's policy allows certain employees to accumulate unused sick leave and vacation leave in varying amounts. Employees who have completed one full year of employment are entitled to various amounts of accumulated sick leave and any accumulated vacation upon termination. Sick leave in excess of the 160-day maximum is not paid upon termination, but will be paid only upon illness while in the employ of the Village. Compensated absences at July 31, 2012 amounted to $2,387,935, an increase of $215,624 from the prior year.

M. Other Benefits

Eligible Village employees participate in the New York State Employees' Retirement System and the New York State and Local Police and Fire Retirement System.

In addition to providing pension benefits, the Village provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors. Collective bargaining agreements determine if Village employees are eligible for these benefits if they reach normal retirement age while working for the Village. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the Village and the retired employee. The Village accounts for these post-employment benefits in accordance with GASB Statement No. 45 (GASB 45) *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* The Village recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the General Fund, in the year paid. In the government-wide statements, postemployment costs are measured and disclosed using the accrual basis of accounting.

N. Short-Term Debt

The Village may issue Bond Anticipation Notes (BAN) in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BAN's issued for capital purposes be converted to long-term financing within five years after the original issue date.

O. Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Long-term obligations represent the Village's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Assets.

P. Equity Classifications

Government-wide statements

In the Government-wide statements there are three classes of net assets:

Invested in capital assets, net of related debt – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets.

Restricted net assets – reports net assets when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets – reports all other net assets that do not meet the definition of the above two classifications and are deemed to be available for general use by the Village.

Fund statements

The Fund Statements report fund balance classifications according to the relative strength of spending constraints placed on the purpose for which resources can be used, as follows:

Non-spendable – Consists of amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The Village utilized the following non-spendable fund balance:

Prepaid Expenses – prepaid expenses is used to account for current funds that have been spent, but will benefit a future period. Prepaid expenses are accounted for in the general fund.

Restricted – Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. Restricted fund balances, generally referred to as reserves in accordance with New York State law, are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. These reserve funds are established through Board action or voter approval and a separate identity must be maintained for each reserve. Earnings on the invested resources become part of the respective reserve funds; however, separate bank accounts are not necessary for each reserve fund. Fund balance reserves currently in use by the Village include the following:

Insurance Reserve - insurance reserve is primarily reserved and accumulated for the payment of general liability and casualty insurance claims.

Capital Projects Reserve - capital projects reserve is used to pay the cost of any object or purpose for which bonds may be issued.

Assigned – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the Village's Board of Trustees. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance includes an amount appropriated to partially fund the subsequent year's budget. Assigned fund balance also includes encumbrances not classified as restricted at the end of the fiscal year.

Unassigned – Represents the residual classification for the Village's general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification should be used only to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, or assigned.

Fund balance classification

Any portion of fund balance may be applied or transferred for a specific purpose by law, voter approval if required by law or by formal action of the Board of Trustees if voter approval is not required. Amendments or modifications to the applied or transferred fund balance must also be approved by formal action of the Board of Trustees.

The Board of Trustees shall delegate the authority to assign fund balance, for encumbrance purposes, to the person(s) to whom it has delegated the authority to sign purchase orders.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned) the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or board approved budget revision and then from the assigned fund balance to the extent that there is an assignment and then from the unassigned fund balance.

Q. Subsequent Events

Management has evaluated subsequent events through December 28, 2012, the date the financial statements were available to be issued.

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENTS AND THE GOVERNMENT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the government-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic resource measurement focus of the Statement of Activities, compared with the current financial resource measurement focus of the governmental funds.

A. Total Fund Balances of Governmental Funds vs. Net Assets of Governmental Activities

Total fund balances of the Village's governmental funds differ from "net assets" of governmental activities reported in the Statement of Net Assets. This difference primarily results from the additional long-term economic focus of the Statement of Net Assets versus the solely current financial resources focus of the governmental fund Balance Sheets.

B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities

Differences between the funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories.

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

Capital Related Differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the fund statements and depreciation expense on those items as recorded in the Statement of Activities.

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Assets.

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITIES

Budgets

The Village Administrator prepares a proposed budget for approval by the Board of Trustees for the General Fund, the only fund with a legally adopted budget. Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists, which was not determined at the time the budget was adopted. During the year, the board approved additional appropriations in the amount of $207,627 as follows:

Contingent expenditures funded by:

County public safety grant	$	17,419
Federal disaster aid		141,497
NYS disaster aid		23,583
Gift and donations		25,128
Total Additional Appropriations	$	207,627

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. Budgets are established and used for individual Capital Project Fund expenditures as approved by the Board. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as reservations of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid. However, encumbrances reserved against fund balances are re-appropriated in the ensuing year.

NOTE 4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The Villages' investments are governed by state statues and Village policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its Agencies and obligations of New York State and its municipalities. Investments are stated at fair value.

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

A. Uncollateralized,
B. Collateralized by securities held by the pledging financial institution, or
C. Collateralized by securities held by the pledging financial institution's trust department or agent but not in the Villages' name.

None of the Village's aggregated bank balances, not covered by depository insurance, were exposed to custodial credit risk as described above at year-end.

The Village did not have any investments at year-end or during the year. Consequently, the Village was not exposed to any material interest rate risk or foreign currency risk.

Investment Pool

The Village participates in a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 5-G, §119-O whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents.

Total investments of the cooperative as of year-end are $204,897,526, which consisted of $110,040,491 in repurchase agreements, $4,500,000 in U.S. Government guaranteed securities, $40,357,035 in U.S. Treasury Securities, and $50,000,000 in collateralized bank deposit with various interest rate and due dates.

The amount of $685,290 is included as cash in the following funds:

	Unrestricted Cash	Restricted Cash	Total
General Fund	$ 381,046	$ 93,008	$ 474,054
Capital Projects Fund		151,200	151,200
Trust and Agency Fund	60,036		60,036
Total	$ 441,082	$ 244,208	$ 685,290

The above amounts represent the cost of the investment pool shares, and are considered to approximate market value. The investment pool is categorically exempt from the New York State collateral requirements. Additional information concerning the cooperative is presented in the annual report of the Cooperative Liquid Asset Securities System (CLASS), which may be obtained from MBIA Municipal Investors Service Corp., 113 King Street, Armonk, NY 10504.

NOTE 5. DUE FROM OTHER GOVERNMENTS

Due from other governments at July 31, 2012 consists of:

Federal and State Aid	$ 209,951
East Hampton Town - Fees	280
Suffolk County - Mortgage Tax	162,212
Total Due from Other Governments	$ 372,443

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended July 31, 2012 were as follows:

	Balance August 1, 2011	Additions	Adjustments/ Reductions	Balance July 31,2012
Capital assets not being depreciated				
Land	$ 8,504,562	$ -	$ -	$ 8,504,562
Artwork	371,200	-	-	371,200
Construction in progress	174,962	-	(174,962)	-
Total capital assets not being depreciated	9,050,724	-	(174,962)	8,875,762
Capital assets being depreciated				
Buildings	10,420,161	316,969	-	10,737,130
Land improvements	1,631,530	-	-	1,631,530
Machinery and equipment	7,731,168	328,438	(57,072)	8,002,534
Furniture and fixture	130,351	5,872	(1,736)	134,487
Infrastructure	10,680,206	1,203,159	-	11,883,365
Total capital assets being depreciated	30,593,416	1,854,438	(58,808)	32,389,046
Less accumulated depreciation for:				
Buildings	(3,126,967)	(223,856)	-	(3,350,823)
Land improvements	(586,419)	(73,690)	-	(660,109)
Machinery and equipment	(5,601,164)	(486,060)	57,072	(6,030,152)
Furniture and fixtures	(83,088)	(9,275)	1,736	(90,627)
Infrastructure	(4,732,415)	(560,409)	-	(5,292,824)
Total accumulated depreciation	(14,130,053)	(1,353,290)	58,808	(15,424,535)
Total assets being depreciated, net	16,463,363	501,148	-	16,964,511
Capital assets, net	$ 25,514,087	$ 501,148	$ (174,962)	$ 25,840,273

Depreciation expense was charged to governmental functions as follows:

General government and administration	$ 32,705
Public Safety	973,688
Transportation	228,286
Cultural and recreational	99,659
Home and community services	18,952
Total Depreciation Expenses - Governmental Activities	$ 1,353,290

NOTE 7. SHORT-TERM DEBT

Bond Anticipation Notes (BANs)

The Village issues Bond Anticipation Notes ("BANs"), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. At July 31, 2012, BANs consisted of the following individual issues:

2011 BAN dated November 18, 2011, due on November 16, 2012, bearing interest at .82%	$	670,000
2012 BAN dated June 28, 2012, due on June 28, 2013, bearing interest at .75%		980,563
2012 BAN dated July 19, 2012, due on July 19, 2013 bearing interest at .73%		648,955
	$	2,299,518

Interest on short-term debt for the year was composed of:		
Interest paid	$	12,082
Less: interest accrued in prior year		(4,545)
Plus: interest accrued in current year		4,704
Total Interest Expenses on Short-Term Debt	$	12,241

NOTE 8. LONG-TERM DEBT

Bonds Payable

At July 31, 2012 bonds payable consisted of the following individual issues:

2003 General Obligation bonds, dated March 12, 2003, due in annual installments through March 15, 2023, bearing interest rates of 3.500% to 4.000%.	$	3,150,000
2006 General Obligation Bonds, dated April 1, 2006, due in annual installments through October 1, 2020, bearing interest rates of 3.625% to 3.875%.		1,275,000
2008 General Obligation Bonds, dated November 1, 2008, due in annual installments through November 1, 2022 bearing interest rates of 4.375% to 4.750%.		1,975,000
Total bonds Payable	$	6,400,000

Interest on long-term debt for the year was composed of:

Interest paid	$	274,047
Less: interest accrued in prior year		(93,557)
Plus: interest accrued in current year		84,523
Total Interest Expense on Long-Term Debt	$	265,013

Transactions for the year ended July 31, 2012 are summarized as follows:

	Balance August 1, 2011	Additions	Reductions	Balance July 31, 2012	Due Within One Year
General obligation bonds	$ 6,995,000	$ -	$ (595,000)	$ 6,400,000	$ 605,000
Bond anticipation notes	1,392,314	2,299,518	(1,392,314)	2,299,518	2,299,518
Compensated absences	2,172,311	215,624	-	2,387,935	119,397
OPEB obligations	881,256	605,680	-	1,486,936	-
Total Long-Term Liabilities	$ 11,440,881	$ 3,120,822	$ (1,987,314)	$ 12,574,389	$ 3,023,915

The General Fund has typically been used to liquidate after long-term liabilities.

General Obligation Bonds

Arbitrage provisions of the Internal Revenue Tax Act of 1986 require the Village to rebate excess arbitrage earnings from bond proceeds to the federal government. There were no excess arbitrage earnings for the year ended July 31, 2012.

Annual Requirements to Retire Debt Obligations

The annual aggregate maturities for the years subsequent to July 31, 2012 are as follows:

General Obligation Bonds

Year Ending July 31,	Principal	Interest	Total
2013	$ 605,000	250,784	$ 855,784
2014	615,000	227,171	842,171
2015	580,000	204,146	784,146
2016	615,000	180,972	795,972
2017	650,000	156,056	806,056
2018-2022	2,840,000	425,375	3,265,375
2023	495,000	17,363	512,363
	$ 6,400,000	$ 1,461,867	$ 7,861,867

NOTE 9. DEFERRED REVENUES

Revenues collected in advance in the General Fund consist of $1,490,025 related to beach house rentals to individuals and communication and fire protection services provided to various municipalities.

NOTE 10. PROPERTY TAX

Property tax is levied each August 1st on the assessed (appraised) value listed as of the prior January 1 for all business and personal property located in the Village. Taxable assessed value represents the appraisal value less applicable exemptions authorized by the Village. The Town of East Hampton establishes appraised values at 1% for estimated fair market value.

Taxes are due on August 1st, the levy date, and are delinquent after the following September 1st. Tax liens are automatic on September 1st each year. The tax lien is part of a lawsuit for property that can be filed any time after taxes become delinquent (September 1st). The Village usually waits until May 1st at which time the unpaid taxes are sold through a tax sale. As of September 1st, 5% collection costs may be added to all delinquent accounts and an additional 1% collection cost may be added on the first of each month thereafter through April. Current tax collections for the year ended July 31, 2012 were 100.00% of the tax levy.

Property taxes at the fund level are recorded as receivables and deferred revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with Generally Accepted Accounting Principles have been recognized as revenue.

As of July 31, 2012, the total outstanding indebtedness of the Village aggregated $8,699,518. Of this amount, $8,699,518 was subject to the constitutional debt limit and represented approximately 1.95% of its debt limit.

NOTE 11. PENSION PLANS AND SERVICE AWARD PROGRAMS

A. Pension Plans

Plan Description

The Village participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement Systems (PFRS) and the Public Employees' Group Life Insurance Plan collectively known as NYSLRS (Systems). These are cost sharing multiple employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be found at http://www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Funding Policy

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary for their first ten years of membership, and employees who joined the System on or after January 1, 2010 (ERS) who contribute 3% of their salary to NYSERS throughout their active membership. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The Village is required to contribute an actuarially determined rate. The Village's contributions made to the Systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

	ERS	PFRS
2012	$ 667,326	$ 977,216
2011	482,736	484,501
2010	298,066	350,395

B. Service Award Programs

i. Volunteer Ambulance Department

On July 15, 1997, the Village established a "service award program" for volunteer members of the East Hampton Village Volunteer Ambulance Department. This program is allowed under general municipal law Article 11-A authorizing the establishment of a service award program for volunteer ambulance departments.

The Village acts as the plan sponsor but not the administrator of the program. Assets are held in the name of the New York State Office of Comptroller, Emergency Squad Trust Fund. It is considered to be a "defined benefit" plan and in order to determine the Village's liability an actuarial valuation has been prepared as of December 31, 2011 to determine the required contribution due. The Village funded the program with $81,495 for the fiscal year ended July 31, 2012. This amount has been recorded in the General Fund as an expense. As of July 31, 2012, the market value of the assets of the plan totaled $777,849. This amount is reflected in the Fiduciary Fund Assets along with a corresponding liability to the employees participating in the plan.

ii. Volunteer Fire Department

On June 16, 1992, a general election was held where approval was given to establish a "service award program" for volunteer members of the East Hampton Village Volunteer Fire Department as of August 1, 1992. This program is allowed under general municipal law Article 11-A which was amended in 1987 authorizing the establishment of a service award program for volunteer firefighters. The Village acts as the plan sponsor and administrator of the program. It is considered to be a "defined benefit" plan. In order to determine the Village's liability an actuarial valuation was prepared as of January 1, 2012 to determine the required contribution due. The Village's required contribution to the program was $259,570 for the fiscal year ended July 31, 2012. This amount has been recorded in the General Fund as an expense.

Program Description

Participation, vesting and service credit

Active volunteer firefighters who have reached the age of 18 and who have completed one year of firefighting service are eligible to participate in the program. Participants acquire a non-forfeitable right to a service award after being credited with five years of firefighting service or upon attaining the program's entitlement age. The program's entitlement age is 65. In general, an active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the program in which he or she accumulates fifty points. Points are granted for the performance of certain activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values. A participant may also receive credit for five years of firefighting service rendered prior to the establishment of the program.

Benefits

A participant's benefit under the program is the actuarial equivalent of a monthly payment for life equal to $20 multiplied by the person's total number of years of volunteer service prior to December 31, 2006 and $30 per year thereafter. The number of years of firefighting service used to compute the benefit cannot exceed forty years. Except in the case of disability or death benefits are payable when a participant reaches entitlement age. The program provides statutorily mandated death and disability benefits.

Fiduciary Investment and Control

Service credit is determined by the governing board of the sponsor, based on information certified to the governing board by each fire company having members who participate in the program. Each fire company must maintain all required records on forms prescribed by the governing board.

The governing board of the sponsor has retained and designated Larry Cantwell to assist in the administration of the program. The designated program administrator's functions include processing new and terminated member applications and getting beneficiary information to Merrill Lynch. Disbursements of program assets for the payment of benefits or administrative expenses must be approved by the administrator of the program.

Program assets are required to be held in trust by LOSAP legislation, for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the program. Program assets are not held in trust.

Authority to invest program assets is vested in Merrill Lynch. Subject to restrictions in the program document, program assets are invested in accordance with a statutory "prudent person" rule.

The sponsor is required to retain an actuary to determine the amount of the sponsor's contributions to the plan. The actuary retained by the sponsor for this purpose is William E. Buckheit. Portions of the following information are derived from a report prepared by the actuary dated August 28, 2012.

Program Financial Condition

Assets and Liabilities

Actuarial Present Value of Benefits at December 31, 2011	$ 3,347,134
Less: Assets Available for Benefits	
Cash and money market	122,983
Certificates of deposit	76,787
US Equity	457,253
Corporate	55,928
Mutual Funds	1,844,477
Government	325,620
Contribution receivable	259,570
Interest and dividends receivable	2,152
Total Net Assets Available for Benefits at July 31, 2012	3,144,770
Total Unfunded Benefits	202,364
Less: Unfunded Liability for Prior Service	-
Unfunded Normal Benefits	$ 202,364

Receipts and Disbursements

Plan Net Assets, August 1, 2011	$ 2,979,224
Changing during the year:	
Plan contributions	259,570
Investment income earned	85,922
Changes in fair market value of investments	10,969
Plan benefit withdrawals	(190,915)
	165,546
Plan net Assets, July 31, 2012	$ 3,144,770

Contributions

Amount of sponsor's contribution recommended by actuary	$ 259,570
Amount of sponsor's actual contribution	$ 259,570

Administration Fees

Fees paid to designated program administrator	$ 35,398

Funding Methodology and Actuarial Assumptions

Normal Costs

The actuarial valuation methodology used by the actuary to determine the sponsor's contribution is the Attained Age Normal Frozen Initial Liability method. The assumptions used by the actuary to determine the sponsor's contribution and the actuarial present values of benefits are:

Assumed rate of return on investment is 7%.

The 1994 Group Annuity Reserve (GAR) Mortality Table is used for pre- and post-entitlement age mortality rate.

NOTE 12. DEFERRED COMPENSATION PLAN

Employees of the Village may elect to participate in the Village Employees Deferred Compensation Plan created in accordance with Internal Revenue Code 457. The plan, available to all employees, permits them to defer a portion of their salary until future years, usually after retirement.

As of July 31, 2012, the market value of the assets of the plan totaled $2,806,287. This amount is reflected in the Fiduciary Fund Assets along with a corresponding liability to the employees participating in the plan.

NOTE 13. INTERFUND BALANCES AND ACTIVITY TRANSFERS

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenses
General Fund	$ -	$ -	$ -	$ 341,793
Capital Fund	-	-	341,793	-
Total	$ -	$ -	$ 341,793	$ 341,793

Transfers are primarily used to move funds from the General Fund to finance various programs accounted for in the Capital Projects Fund in accordance with budgetary authorizations.

NOTE 14. SELF INSURANCE – MEDICAL CLAIMS

Description

During the year ended July 31, 1989 the Village began a self-insured medical plan to cover employees of the Village eligible for health insurance. An outside firm administers the operation of this plan. The Village transfers funds to the administrator as funds become needed to pay claims. The Village has not established a reserve for medical claims. This complies with New York State regulations which prohibit the establishment of a reserve for medical claims. The medical coverage under this plan was terminated during the current fiscal year. It was replaced with medical coverage from a third party at a fixed cost per participant.

Stop Loss Coverage

The Village limits its overall liability related to medical claims through the purchase of "excess liability" insurance which affords coverage on both a "specific" and "aggregate" basis. This coverage runs from January 1st through December 31st of each year. The following excess coverage liability was in place as follows:

Period		Aggregate	Specific	Maximum
From	To	Liability	Liability	Indemnity
1/1/2011	12/31/2011	$ 3,600,544	$ 150,000	$ 1,000,000
1/1/2010	12/31/2010	3,082,366	150,000	1,000,000
1/1/2009	12/31/2009	2,636,534	125,000	1,000,000

For the policy period January 1, 2011 through December 31, 2011, one claim had been incurred and filed under the specific liability coverage. For the fiscal year ended July 31, 2012 no claims have been incurred and filed under the specific liability coverage.

Claims Paid

During the year ended July 31, 2012, the Village paid $1,424,272 for health and dental claims filed. The Village terminated this plan as of December 31, 2011.

NOTE 15. POST EMPLOYMENT BENEFITS

Plan Description

In addition to providing pension benefits, the Village provides medical and Medicare part B reimbursements to retired employees and their survivors in accordance with employment contracts. Substantially all of the Village's employees may become eligible for these benefits if they reach normal retirement age while working for the Village. Health care benefits and survivors benefits are provided through a premium based plan.

Funding Policy

GASB 45 does not require the unfunded liability actually be amortized nor that it be funded, only that the unfunded accrued liability is accounted for and that the Village meets its Annual Required Contribution (ARC). However, if the liability is funded, assets must be transferred to a qualifying irrevocable trust or equivalent arrangement for the exclusive benefit of the plan members and must be protected from creditors.

At this time there is no New York State statute providing local governments with the authority for establishing a post-employment benefits trust. Since the Village cannot fund the Other Post-Employment Benefits (OPEB) liability at this time, the required contribution is based on a projected pay-as-you-go financing requirements. The contribution requirements of Plan members and the Village are established by the Board of Trustees. For the year ended July 31, 2012, the Village recognized a general fund expenditure of $501,159 for 44 currently enrolled retirees.

Annual OPEB Cost and Net OPEB Obligation

The Village's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), and amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Village's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Village's net OPEB obligation.

Annual required contribution (ARC)	$	1,071,589
Interest on net OPEB obligation		35,250
Adjustment to ARC		-
Annual OPEB cost (expense)		1,106,839
Contributions made		501,159
Increase in net OPEB obligation		605,680
Net OPEB obligation - beginning of year		881,256
Net OPEB obligation - end of year	$	1,486,936

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for July 31, 2012, and the preceding two years are as follows:

Fiscal year Ended	Annual OPEB Cost	Percentage of Annual OPEB Contribution	Net OPEB Obligation
7/31/2012	$ 1,106,839	45.28%	$ 1,486,936
7/31/2011	1,085,751	51.40%	881,256
7/31/2010	1,071,589	67.00%	354,055

Funded Status and Funding Progress

As of August 1, 2009, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was $11,383,310 and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $11,383,310. The covered payroll (annual payroll of active employees covered by the plan) was $7,986,816 and the ratio of the UAAL to the covered payroll was 142.5%.

Actuarial valuations of an ongoing plan involved estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the August 1, 2009, actuarial valuation, the Entry Age Normal Method was used. The actuarial assumptions included a 4.0% discount rate and an annual healthcare cost trend rate of 9.0% initially, reduced by decrements to an ultimate rate of 5.0% after 4 years and a 4.0% inflation rate. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at July 31, 2011, was 27 years.

NOTE 16. ASSIGNED APPROPRIATED FUND BALANCE

The amount of $600,000 has been appropriated to reduce the amount of funding needed to be raised by real estate taxes for the year ending July 31, 2013.

NOTE 17. COMMITMENTS AND CONTINGENCIES

Risk Management

The Village is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters and other risks. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

Lawsuits

The Village is subject to a number of lawsuits in the ordinary conduct of its affairs. The Village does not believe, however, that any such suits, individually or in the aggregate, are likely to have a material adverse effect on the financial condition of the Village.

Grants

The Village has received grants, which are subject to audit by agencies of the State and Federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior years' experience, the Village's administration believes disallowances, if any, will be immaterial.

INCORPORATED VILLAGE OF EAST HAMPTON
Budgetary Comparison Schedule – General Fund
For the Year Ended July 31, 2012

	Original Budget	Final Budget	Current Year	Encumbrances	(Over) Under Final Budget
REVENUES					
Real property taxes	$ 11,339,835	$ 11,339,835	$ 11,336,656	$	$ (3,179)
Payment in lieu of taxes	75,000	75,000	76,893		1,893
Non-property taxes	252,000	252,000	238,800		(13,200)
Departmental income	282,100	282,100	384,850		102,750
Intergovernmental charges	2,399,000	2,399,000	2,425,307		26,307
Use of money and property	1,048,250	1,048,250	1,051,190		2,940
Licenses and permits	1,237,000	1,237,000	1,398,192		161,192
Fines and forfeitures	465,000	465,000	498,191		33,191
Sale of property and compensation for loss	2,800	2,800	16,505		13,705
State and County aid	593,131	634,133	738,503		104,370
Federal aid	29,000	170,497	192,126		21,629
Miscellaneous	6,100	31,228	72,685		41,457
Total Revenues	17,729,216	17,936,843	18,429,898	-	493,055
EXPENDITURES					
General government	2,426,947	2,350,265	2,247,133		103,132
Public safety	6,476,253	6,757,403	6,621,259	95,616	40,528
Health	113,500	120,185	98,819	10,682	10,684
Transportation	1,292,359	1,307,107	1,207,597	5,906	93,604
Culture and recreation	939,276	973,635	837,255	6,506	129,874
Home and community service	752,180	814,558	710,601	21,406	82,551
Employee benefits	4,958,250	5,228,131	5,149,103		79,028
Debt service:					
Principal	595,000	595,000	595,000		-
Interest	290,451	290,451	286,129		4,322
Total Expenditures	17,844,216	18,436,735	17,752,896	140,116	543,723
OTHER USES					
Operating transfers out	485,000	398,270	341,793		56,477
Total Expenditures and Other Uses	18,329,216	18,835,005	18,094,689	$ 140,116	$ 600,200
Net Changes in Fund Balances	(600,000)	(898,162)	335,209		
Fund balances - Beginning of Year	600,000	898,162	3,311,056		
Fund balances - End of Year	$ -	$ -	$ 3,646,265		

Note to Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

See paragraph on supplementary schedules included in auditor's report.

INCORPORATED VILLAGE OF EAST HAMPTON
Other Post - Employment Benefits Plan
Schedule Funding Process
For the Year Ended July 31, 2012

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
8/1/2009	$ -	$ 11,383,310	$ 11,383,310	0%	$ 7,986,816	142.5%

See paragraph on supplementary schedules included in independent auditor's report.