

TOWN OF HOPKINTON, NEW HAMPSHIRE

FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2012

**TOWN OF HOPKINTON, NEW HAMPSHIRE
FINANCIAL REPORT
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Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Selectmen
Town of Hopkinton
330 Main Street
Hopkinton, New Hampshire 03229

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Town of Hopkinton, as of and for the year ended December 31, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents, and the related notes to the financial statements. These financial statements are the responsibility of the Town of Hopkinton's management. Our responsibility is to express opinions on these financial statements based on our audit.

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. 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 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, the major fund, and the aggregate remaining fund information of the Town of Hopkinton, as of December 31, 2012, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedule of funding progress for other postemployment benefits on pages 29 - 31 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. 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.

The Town of Hopkinton has not presented a management's discussion and analysis. Accounting principles generally accepted in the United States of America have determined that the management's discussion and analysis is necessary to supplement, but is not required to be part of, the basic financial statements.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Hopkinton. The combining nonmajor and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. They 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. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor and individual fund schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

August 14, 2013

Roberts & Greene, PLLC

BASIC FINANCIAL STATEMENTS

EXHIBIT 1
TOWN OF HOPKINTON, NEW HAMPSHIRE
Statement of Net Position
December 31, 2012

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 7,061,092
Investments	2,031,415
Intergovernmental receivable	25,719
Other receivables, net of allowance for uncollectibles	2,501,684
Prepaid items	27,128
Capital assets, not being depreciated:	
Land	8,410,469
Construction in progress	25,719
Capital assets, net of accumulated depreciation:	
Land improvements	487,799
Buildings and building improvements	2,663,012
Machinery, vehicles and equipment	1,143,359
Infrastructure	9,824,463
Intangibles	192,300
Total assets	34,394,159
LIABILITIES	
Accounts payable	148,859
Accrued payroll and benefits	109,321
Accrued interest payable	36,152
Intergovernmental payable	6,631,689
Unearned revenue	22,043
Noncurrent obligations:	
Due within one year:	
Bonds and notes payable	261,669
Capital leases payable	16,230
Accrued landfill postclosure care costs	25,000
Due in more than one year:	
Bonds and notes payable	1,779,115
Capital leases payable	53,357
Compensated absences	136,699
Accrued landfill postclosure care costs	350,000
OPEB liability	92,284
Total liabilities	9,662,418
NET POSITION	
Net investment in capital assets	21,253,791
Restricted for:	
Perpetual care:	
Nonexpendable	316,176
Expendable	375,096
Other purposes	317,593
Unrestricted	2,469,085
Total net position	\$ 24,731,741

The notes to the financial statements are an integral part of this statement.

EXHIBIT 2
TOWN OF HOPKINTON, NEW HAMPSHIRE
Statement of Activities
For the Year Ended December 31, 2012

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 1,023,080	\$ 24,686	\$ (20,869)	\$ -	\$ (1,019,263)
Public safety	1,676,747	356,240	59,955	-	(1,260,552)
Highways and streets	2,595,943	-	1,303	25,719	(2,568,921)
Sanitation	675,227	550,628	-	-	(124,599)
Health	19,230	-	-	-	(19,230)
Welfare	130,200	-	-	-	(130,200)
Culture and recreation	814,297	75,694	19,465	-	(719,138)
Conservation	2,574	-	-	-	(2,574)
Interest on long-term debt	91,123	-	-	-	(91,123)
Capital outlay	90,111	-	-	75,113	(14,998)
Total governmental activities	<u>\$ 7,118,532</u>	<u>\$ 1,007,248</u>	<u>\$ 59,854</u>	<u>\$ 100,832</u>	<u>(5,950,598)</u>
General revenues:					
Property taxes					3,085,130
Other taxes					279,425
Licenses and permits					994,125
Grants and contributions not restricted to specific programs					450,429
Miscellaneous					90,460
Total general revenues					<u>4,899,569</u>
Change in net position before extraordinary item					<u>(1,051,029)</u>
Extraordinary item:					
Public Works building fire:					
Insurance proceeds					738,647
Replacement expenses					<u>(216,897)</u>
Net proceeds for building replacement					<u>521,750</u>
Change in net position					<u>(529,279)</u>
Net position, beginning, as restated, see Note III.D.					<u>25,261,020</u>
Net position, ending					<u>\$ 24,731,741</u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT 3
TOWN OF HOPKINTON, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2012

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 6,562,310	\$ 498,782	\$ 7,061,092
Investments	-	2,031,415	2,031,415
Receivables, net of allowance for uncollectible/unavailable:			
Taxes	1,591,212	-	1,591,212
Accounts	681,113	23,428	704,541
Intergovernmental	25,719	-	25,719
Interfund receivable	47,790	11,384	59,174
Prepaid items	27,128	-	27,128
Total assets	<u>\$ 8,935,272</u>	<u>\$ 2,565,009</u>	<u>\$ 11,500,281</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 145,931	\$ 2,928	\$ 148,859
Accrued salaries and benefits	109,321	-	109,321
Intergovernmental payable	6,631,689	-	6,631,689
Interfund payable	10,954	48,220	59,174
Deferred revenue	887,233	11,841	899,074
Total liabilities	<u>7,785,128</u>	<u>62,989</u>	<u>7,848,117</u>
Fund balances:			
Nonspendable	27,128	449,110	476,238
Restricted	-	630,436	630,436
Committed	623,626	1,444,904	2,068,530
Assigned	1,322	-	1,322
Unassigned	498,068	(22,430)	475,638
Total fund balances	<u>1,150,144</u>	<u>2,502,020</u>	<u>3,652,164</u>
Total liabilities and fund balances	<u>\$ 8,935,272</u>	<u>\$ 2,565,009</u>	<u>\$ 11,500,281</u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT 4
TOWN OF HOPKINTON, NEW HAMPSHIRE
Reconciliation of Total Fund Balances of Governmental Funds to the Statement of Net Position
December 31, 2012

Total fund balances of governmental funds (Exhibit 3)		\$ 3,652,164
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost	\$ 57,376,777	
Less accumulated depreciation	<u>(34,629,656)</u>	
		22,747,121
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	\$ (59,174)	
Payables	<u>59,174</u>	
		-
Long-term revenues are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Deferred tax revenue	815,459	
Deferred sewer charges	7,532	
Deferred grant revenue	25,719	
Other deferred amounts	28,321	
Unavailable elderly and welfare liens	<u>205,931</u>	
		1,082,962
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(36,152)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes outstanding	\$ 2,040,784	
Capital lease outstanding	69,587	
Compensated absences payable	136,699	
Accrued landfill postclosure care costs	375,000	
OPEB liability	<u>92,284</u>	
		<u>(2,714,354)</u>
Total net position of governmental activities (Exhibit 1)		<u>\$ 24,731,741</u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT 5
TOWN OF HOPKINTON, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2012

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 3,429,179	\$ 7,303	\$ 3,436,482
Licenses, permits and fees	994,125	-	994,125
Intergovernmental	553,599	-	553,599
Charges for services	650,951	356,297	1,007,248
Miscellaneous	731,297	110,946	842,243
Total revenues	<u>6,359,151</u>	<u>474,546</u>	<u>6,833,697</u>
Expenditures:			
Current:			
General government	978,565	42,535	1,021,100
Public safety	1,472,102	127,725	1,599,827
Highways and streets	1,172,512	146,426	1,318,938
Sanitation	612,601	179,681	792,282
Health	19,230	-	19,230
Welfare	99,803	29,308	129,111
Culture and recreation	648,089	144,801	792,890
Conservation	-	2,574	2,574
Debt service:			
Principal	256,309	-	256,309
Interest	96,079	-	96,079
Capital outlay	156,143	-	156,143
Total expenditures	<u>5,511,433</u>	<u>673,050</u>	<u>6,184,483</u>
Excess (deficiency) of revenues over (under) expenditures	<u>847,718</u>	<u>(198,504)</u>	<u>649,214</u>
Other financing sources (uses):			
Transfers in	113,000	394,833	507,833
Transfers out	<u>(392,000)</u>	<u>(115,833)</u>	<u>(507,833)</u>
Total other financing sources and uses	<u>(279,000)</u>	<u>279,000</u>	<u>-</u>
Net change in fund balances	568,718	80,496	649,214
Fund balances, beginning	581,426	2,421,524	3,002,950
Fund balances, ending	<u>\$ 1,150,144</u>	<u>\$ 2,502,020</u>	<u>\$ 3,652,164</u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT 6
TOWN OF HOPKINTON, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2012

Net change in fund balances of governmental funds (Exhibit 5)		\$ 649,214
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capitalized capital outlay in the current period.		
Capitalized capital outlay	\$ 747,136	
Depreciation expense	<u>(2,087,446)</u>	(1,340,310)
The total effect of the disposal of capital assets is to decrease net position.		
		(160,796)
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$ (507,833)	
Transfers out	<u>507,833</u>	-
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in governmental funds.		
Change in deferred tax revenue	\$ (113,924)	
Change in deferred sewer charges	1,438	
Change in deferred grant revenue	25,719	
Change in other deferred revenue	28,321	
Change in allowance for unavailable liens	<u>13,511</u>	(44,935)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net position.		
Repayment of bond and note principal	\$ 256,309	
Repayment of capital lease principal	<u>15,509</u>	271,818
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.		
Decrease in accrued interest expense	\$ 4,956	
Decrease in compensated absences payable	8,752	
Decrease in accrued landfill postclosure care costs	105,000	
Increase in OPEB liability	<u>(22,978)</u>	95,730
Change in net position of governmental activities (Exhibit 2)		
		<u><u>\$ (529,279)</u></u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT 7
TOWN OF HOPKINTON, NEW HAMPSHIRE
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2012

	Private Purpose Trust	Agency
Assets:		
Cash and cash equivalents	\$ -	\$ 240,378
Investments	436,748	405,030
Total assets	436,748	645,408
Liabilities:		
Due to other governmental units	-	639,731
Due to developers	-	5,677
Total liabilities	-	645,408
Net position:		
Held in trust for specific purposes	\$ 436,748	\$ -

The notes to the financial statements are an integral part of this statement.

EXHIBIT 8
TOWN OF HOPKINTON, NEW HAMPSHIRE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2012

	<u>Private Purpose Trust</u>
Additions:	
New funds	\$ 55,885
Investment earnings:	
Interest	17,172
Net change in fair value of investments	<u>28,058</u>
Total additions	101,115
Deductions:	
Trust distributions	<u>17,833</u>
Change in net position	83,282
Net position, beginning	<u>353,466</u>
Net position, ending	<u><u>\$ 436,748</u></u>

The notes to the financial statements are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

**TOWN OF HOPKINTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012**

I. Summary of Significant Accounting Principles

I.A. Introduction

The accounting and reporting framework and the more significant accounting principles and practices of the Town of Hopkinton (the Town) are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the Town's financial activities for the fiscal year ended December 31, 2012.

I.B. Financial Reporting Entity – Basis of Presentation

I.B.1. Entity Defined

The Town of Hopkinton is a municipal corporation governed by a board of selectmen consisting of five members elected by the voters. These financial statements present the financial position and activity of the primary government. Component units are organizations for which the primary government is financially accountable, or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete. Based on the stated criteria, the Town's financial statements do not include any component units.

I.B.2. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Town as a whole, excluding fiduciary activities. Individual funds are not displayed.

The statement of activities reports the direct expenses of a given function offset by program revenues directly connected with the functional program. Direct expenses are those that are clearly identifiable with a specific function. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges for the Town's services; (2) operating grants and contributions, which finance annual operating activities including restricted investment income; and (3) capital grants and contributions, which finance the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and revenue from other sources not properly included with program revenues are reported as general revenues.

TOWN OF HOPKINTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The major individual, governmental fund (General Fund) is reported in separate columns in the basic fund financial statements with composite columns for nonmajor funds.

I.B.3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Town are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Fiduciary fund financial statements also report using this same basis of accounting, although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property tax revenues are recognized in the year for which they are levied, while grants are recognized when grantor eligibility requirements are met.

The agency funds are custodial in nature and do not measure results of operations.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within sixty days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond and note principal and interest, which are reported as expenditures in the year due.

Major revenues susceptible to accrual are property taxes, intergovernmental amounts and investment income. In general, other revenues are recognized when cash is received.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities in the financial statements.

**TOWN OF HOPKINTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012**

I.B.4. Fund Types and Major Funds

Governmental Funds

The Town reports the following major governmental fund:

General Fund – Reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

The Town also reports twelve nonmajor governmental funds.

Fiduciary Funds

The Town reports the following fiduciary funds:

Private Purpose Trust Funds – Account for financial resources of the Town used only for the benefit of other entities or individuals.

Agency Funds – Account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. The Town’s agency funds are used to account for the various capital reserve accounts held by the trustees of trust funds on behalf of the local school district and village precincts; and escrow accounts held for developers.

I.C. Assets, Liabilities, and Net Position or Fund Equity

I.C.1. Cash and Investments

The laws of the State of New Hampshire require that the Town’s treasurer have custody of all monies belonging to the Town, other than those held by the trustees of trust funds and library trustees, and pay out the same only upon orders of the Board of Selectmen. The treasurer shall deposit all monies in participation units in the public deposit investment pool established pursuant to N.H. RSA 383.22 or in solvent banks in the state. Funds may be deposited in banks outside the state if such banks pledge or deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations, or obligations of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

Investments are stated at fair value based on quoted market prices.

New Hampshire law authorizes the Town to invest in obligations of the United States government; the public deposit investment pool established pursuant to RSA 383:22; savings bank deposits; prime bankers’ acceptances; or certificates of deposit and repurchase

TOWN OF HOPKINTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the state treasurer.

Any person who directly or indirectly receives any such funds or monies for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the Town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

I.C.2. *Capital Assets and Depreciation*

Generally, the Town's property, plant and equipment with useful lives of more than two years are stated at historical cost and reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Town generally capitalizes assets with cost of \$5,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follow:

	<u>Years</u>
Land improvements	20
Buildings and building improvements	50
Machinery, vehicles and equipment	8-15
Infrastructure	7-20

I.C.3. *Long-Term Debt*

In the government-wide financial statements, outstanding debt is reported as liabilities. The balance of long-term debt is not reported in the governmental funds.

TOWN OF HOPKINTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

I.C.4. *Equity*

The government-wide statement of net position reports net position in the following components:

- Net investment in capital assets, which is computed as the total capital assets less accumulated depreciation, net of outstanding debt used to acquire those assets.
- Restricted for perpetual care, which consists of the balance of the permanent funds that is allowed to be used only for cemetery care. This balance is segregated between nonexpendable, representing the principal balance that must be invested to generate income and cannot be expended, and expendable, representing income earned that can be used for cemetery care.
- Restricted for other purposes, which consists of the rest of the permanent funds that is to be used for library and other purposes.
- Unrestricted, which consists of the remaining balance of net position.

The governmental funds report the following components of fund balance:

- Nonspendable, representing the principal balance of the permanent funds that cannot be spent, and prepaid expenditures.
- Restricted, representing the income portion of the permanent funds and the balance of the library fund that can only be used for specific purposes per terms of endowments or State law.
- Committed, representing the balance of insurance proceeds to be used for the Public Works building, special warrant articles, expendable trust funds, and positive balances of other special revenue funds.
- Assigned, representing other encumbrances in the General Fund.
- Unassigned, representing the remaining balance of the General Fund, and the deficit balance of the Sewer Fund.

I.C.5. *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TOWN OF HOPKINTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

II. Stewardship, Compliance and Accountability

Budgetary Information

An annual budget was adopted on a basis consistent with generally accepted accounting principles for the General Fund, as well as some of the nonmajor funds. Unless encumbered, all governmental fund appropriations lapse at year-end. The Town is allowed to use beginning fund balance to balance the budget. In 2012, \$415,000 of the fund balance from 2011 was used.

Encumbrance accounting is employed by the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as commitments or assignments of fund balances and do not constitute expenditures or liabilities because they will be added to the appropriations voted in the subsequent year.

Revenues are budgeted by source. Expenditures in the General Fund are budgeted by functions as follow: general government, public safety, highways and streets, sanitation, health, welfare, culture and recreation, conservation, economic development, debt service and capital outlay. Management can transfer appropriations among budget line items as necessary, but the total expenditures cannot legally exceed the total appropriations unless permission is received from the Commissioner of Revenue Administration.

III. Detailed Notes on Funds and Government-Wide Statements

III.A. Assets

III.A.1. Investments

As of December 31, 2012, the Town had the following investments:

Certificates of Deposit	\$ 10,452
American Depository Receipts	50,163
Common Stock	729,529
Preferred Stock	112,207
Corporate Bonds	482,094
iShares	56,010
New Hampshire Public Deposit Investment Pool	1,432,739
	<u>\$ 2,873,194</u>

**TOWN OF HOPKINTON, NEW HAMPSHIRE
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The investments appear in the financial statements as follow:

Governmental funds - balance sheet (Exhibit 3)	\$ 2,031,415
Fiduciary funds - statement of fiduciary net position (Exhibit 7)	841,778
Total	<u>\$ 2,873,194</u>

Investment Policies

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. New Hampshire law limits investments to those described in Note I.C.1. The Town’s investment policy does not place any further restrictions on its investment choices.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Town’s investment policy limits concentration of investments with a specific maturity.

III.A.2. Receivables, Uncollectible Accounts and Deferred Revenue

Property Taxes Receivable and Property Tax Calendar

Property taxes are levied and collected by the Town on a semi-annual basis. Tax bills are due on or around July 1 and December 1, with interest of 12% per annum on all taxes not received by the due date. The first billing is an estimate only based on half of the previous year’s billing. The final billing is levied based on an inventory taken in April of each year (the tax year runs from April 1 to March 31), and is assessed after the tax rate has been calculated and set by the New Hampshire Department of Revenue Administration. A lien should be executed on any unpaid property taxes in the following year and this lien takes priority over any others. Interest of 18% per annum is charged upon redemption of liened taxes. Properties not redeemed within two years of the date of the tax lien should be deeded to the Town. During the current year, the tax collector executed a tax lien for uncollected 2011 property taxes on April 16.

The property taxes levied and collected by the Town include amounts for the State of New Hampshire, the Hopkinton School District, Merrimack County, and the Contoocook Village and Hopkinton Village Precincts. The Town is responsible for the collection of all these taxes. During the annual tax rate setting process, the Town sets an amount for potential abatements and tax deedings, known as overlay. Overlay is raised through taxation and is reported as a reduction in tax revenue.

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The net assessed valuation as of April 1, 2012, upon which the 2012 property tax levy was based was:

For the New Hampshire education tax	\$ 631,831,828
For all other taxes	\$ 654,707,728

The tax rates and amounts assessed for the year ended December 31, 2012 were as follow:

	<u>Per \$1,000 of Assessed Valuation</u>	
Municipal portion	\$5.10	\$ 3,339,399
School portion:		
State of New Hampshire	\$2.52	1,590,949
Local	\$17.77	11,637,336
County portion	\$2.80	1,830,879
Precinct portion:		
Contoocook Village	\$1.17	168,325
Hopkinton Village	\$0.37	14,894
Total property taxes assessed		<u>\$ 18,581,782</u>

The following details the taxes receivable at year-end:

Property:		
Levy of 2012		\$ 1,264,429
Levy of 2011		992
Unredeemed (under tax lien):		
Levy of 2011		170,007
Levy of 2010		158,276
Levy of 2009		33,366
Levy of 2008		10,377
Levy of 2007		2,644
Levy of 2006		1,041
Levy of 2005		
Timber		1,080
Less: allowance for estimated uncollectible taxes		(51,000)
Net taxes receivable		<u>\$ 1,591,212</u>

Other Receivables and Uncollectible/Unavailable Accounts

Significant receivables include amounts due from customers primarily for sewer, ambulance and other sanitation services. The fund financial statements report accounts receivable net of any allowance for uncollectible/unavailable accounts and revenues net of uncollectibles. The allowance amount consists of all of the elderly and welfare liens.

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Related amounts are shown in the following table:

Accounts	\$ 704,541
Intergovernmental	25,719
Liens	205,931
Less: allowance for unavailable amounts	<u>(205,931)</u>
Net total receivables	<u>\$ 730,260</u>

Deferred Revenue

Deferred revenue in the governmental funds consists of \$815,459 of taxes, \$7,532 of sewer charges, \$25,719 of grant revenue, and \$28,321 of miscellaneous revenue deferred because they were not received within sixty days of year-end; and \$17,734 of prepayments of taxes and \$4,309 of prepayments of sewer charges. In the governmental activities, the prepayments totaling \$22,043 are reported as unearned.

III.A.3. Capital Assets

Changes in Capital Assets

The following table provides a summary of changes in capital assets of the governmental activities:

TOWN OF HOPKINTON, NEW HAMPSHIRE
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	<u>Balance, beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, ending</u>
Governmental activities:				
At cost:				
Not being depreciated:				
Land	\$ 8,410,469	\$ -	\$ -	\$ 8,410,469
Construction in progress	1,600	25,719	(1,600)	25,719
Total capital assets not being depreciated	<u>8,412,069</u>	<u>25,719</u>	<u>(1,600)</u>	<u>8,436,188</u>
Being depreciated:				
Land improvements	1,147,328	-	-	1,147,328
Buildings and building improvements	4,442,683	79,110	(300,573)	4,221,220
Machinery, vehicles and equipment	3,478,310	322,109	(237,141)	3,563,278
Infrastructure	39,496,265	320,198	-	39,816,463
Intangibles	192,300	-	-	192,300
Total capital assets being depreciated	<u>48,756,886</u>	<u>721,417</u>	<u>(537,714)</u>	<u>48,940,589</u>
Total all capital assets	<u>57,168,955</u>	<u>747,136</u>	<u>(539,314)</u>	<u>57,376,777</u>
Less accumulated depreciation:				
Land improvements	(611,700)	(47,829)	-	(659,529)
Buildings and building improvements	(1,653,267)	(83,008)	178,067	(1,558,208)
Machinery, vehicles and equipment	(2,373,510)	(246,860)	200,451	(2,419,919)
Infrastructure	(28,282,251)	(1,709,749)	-	(29,992,000)
Total accumulated depreciation	<u>(32,920,728)</u>	<u>(2,087,446)</u>	<u>378,518</u>	<u>(34,629,656)</u>
Net book value, capital assets being depreciated	<u>15,836,158</u>	<u>(1,366,029)</u>	<u>(159,196)</u>	<u>14,310,933</u>
Net book value, all capital assets	<u>\$ 24,248,227</u>	<u>\$ (1,340,310)</u>	<u>\$ (160,796)</u>	<u>\$ 22,747,121</u>

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

Governmental activities:	
General government	\$ 1,974
Public safety	102,476
Highways and streets	1,855,857
Sanitation	62,087
Water distribution and treatment	65,052
Total depreciation expense	<u>\$ 2,087,446</u>

III.A.4. Restricted Net Position

The government-wide statement of net position includes restricted net position of \$691,272 for perpetual care and \$317,593 for library and welfare representing public trust funds reported as restricted to reflect purpose restrictions contained in trust indentures.

III.B. Liabilities

III.B.1 Intergovernmental Payable

TOWN OF HOPKINTON, NEW HAMPSHIRE
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The amount due to other governments at December 31, 2012 consists of the balance of the 2012-2013 district assessment due to the Hopkinton School District in the amount of \$6,631,689.

III.B.2 Long-Term Liabilities

General obligation bonds and notes are approved by the voters and repaid with general revenues (property taxes). These liabilities are backed by the full faith and credit of the Town. Long-term liabilities also include compensated absences, accrued landfill postclosure care costs and the OPEB liability.

State and federal laws and regulations require that the Town continue to perform certain monitoring and maintenance functions at the landfill site for thirty years after closure. The amount recorded as the postclosure care liability represents the estimate of what it will cost for this monitoring and maintenance costs over the next sixteen years, the length of time monitoring is expected to continue. The actual cost of postclosure care could be higher or lower.

Long-term liabilities currently outstanding are as follow:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at 12/31/2012	Current Portion
General obligation bonds/notes payable:						
Landfill closure	\$ 1,859,384	1997	2017	4.21	\$ 617,041	\$ 113,432
Open space (Beyer/Carson/Rollins)	\$ 761,500	2004	2020	4.31	400,000	50,000
Open space (Rice)	\$ 467,900	2005	2025	4.00	295,000	25,000
Open space (Ransmeier)	\$ 368,250	2006	2026	4.39	257,782	18,413
Open space (Myron)	\$ 279,837	2007	2020	3.97	190,961	19,824
Community well	\$ 350,000	2010	2020	3.20	280,000	35,000
					<u>2,040,784</u>	<u>261,669</u>
Capital lease payable:						
Loader/backhoe	\$ 85,096	2011	2016	4.55	69,587	16,230
Compensated absences payable					136,699	-
Accrued landfill postclosure care costs					375,000	25,000
OPEB liability					92,284	-
					<u>\$ 2,714,354</u>	<u>\$ 302,899</u>

Changes in Long-Term Liabilities

TOWN OF HOPKINTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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The following is a summary of changes in governmental activities' long-term liabilities for the year ended December 31, 2012:

	General Obligation Bonds and Notes Payable	Capital Leases Payable	Compensated Absences Payable	Accrued Landfill Postclosure Care Costs	OPEB Liability	Total
Balance, beginning	\$ 2,297,093	\$ 85,096	\$ 145,451	\$ 480,000	\$ 69,306	\$ 3,076,946
Additions	-	-	-	-	22,978	22,978
Reductions	(256,309)	(15,509)	(8,752)	(105,000)	-	(385,570)
Balance, ending	<u>\$ 2,040,784</u>	<u>\$ 69,587</u>	<u>\$ 136,699</u>	<u>\$ 375,000</u>	<u>\$ 92,284</u>	<u>\$ 2,714,354</u>

Debt Service Requirements to Maturity

The annual debt service requirements to maturity for bonds and notes as of year-end are as follow:

Fiscal Year Ending December 31,	Principal	Interest	Total
2013	\$ 261,669	\$ 83,727	\$ 345,396
2014	267,252	71,528	338,780
2015	273,070	57,347	330,417
2016	279,131	45,857	324,988
2017	285,447	34,356	319,803
2018-2022	540,563	73,254	613,817
2023-2026	133,652	12,373	146,025
Totals	<u>\$ 2,040,784</u>	<u>\$ 378,442</u>	<u>\$ 2,419,226</u>

The annual debt service requirements to maturity for the capital lease are as follow:

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Fiscal Year Ending December 31,	Principal	Interest	Total
2013	\$ 16,230	\$ 3,233	\$ 19,463
2014	16,984	2,479	19,463
2015	17,773	1,690	19,463
2016	18,600	863	19,463
Totals	<u>\$ 69,587</u>	<u>\$ 8,265</u>	<u>\$ 77,852</u>

Unissued, Authorized Debt

At the March 12, 2003 Town Meeting, \$5,000,000 of bonds were approved for the purpose of acquiring land for open space. As of December 31, 2012, five bonds totaling \$2,037,486 have been issued of this authorization, leaving \$2,962,514 still unissued. As well, the 2013 Town Meeting authorized \$530,566 of bonds or notes to be used for the replacement of the Public Works building.

III.C. Balances and Transfers – Payments Within the Reporting Entity

III.C.1. *Receivables and Payables*

Generally, outstanding balances between funds reported as “interfund receivables/payables” include outstanding charges by one fund to another for goods or services, subsidy commitments outstanding at year-end, or other miscellaneous amounts. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is also reported as “interfund receivables/payables.”

TOWN OF HOPKINTON, NEW HAMPSHIRE
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The following reports the interfund receivables and payables at year-end:

Receivable Fund	Payable Fund	Amount
General	Expendable	\$ 47,790
Nonmajor	General	10,954
Nonmajor	Nonmajor	430
		\$ 59,174

The amount due to the General Fund represents reimbursements for expenditures paid on behalf of other funds. The amount due to the Nonmajor Funds from the General Fund represents revenue deposited into the General Fund account to be transferred. The amount due from Nonmajor Funds to Nonmajor Funds is donations into the Recreation Revolving Fund due to the Human Services account.

III.C.2. Transfers

Transfers within the reporting entity are substantially for the purposes of distributing taxes to the fund for which the appropriation was made, funding capital projects, and making additions to and using capital reserve accounts. The government-wide statement of activities eliminates transfers reported within the activities columns.

The following schedule reports transfers within the reporting entity:

	Transfers In:		Total
	General Fund	Nonmajor Funds	
Transfers out:			
General fund	\$ -	\$ 392,000	\$ 392,000
Nonmajor funds	113,000	2,833	115,833
	\$ 113,000	\$ 394,833	\$ 507,833

The transfers from the General Fund represent \$392,000 to the Expendable Trust Fund as voted by Town Meeting. The transfers from the Nonmajor Funds represent \$18,000 to the General Fund from the Library Fund for interest, \$95,000 from the Pay-by-Bag Fund to the General Fund as voted, and \$2,833 to the Library Fund from the Permanent Funds representing earnings on investments.

TOWN OF HOPKINTON, NEW HAMPSHIRE
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III.D. Net Position and Fund Balances

III.D.1. Restatement of Beginning Equity Balance

The beginning net position of governmental activities was restated as follows:

To adjust unearned revenue for prepayments of taxes	\$ (5,278)
Net position, as previously reported	<u>25,266,298</u>
Net position, as restated	<u><u>\$ 25,261,020</u></u>

III.D.2. Components of Fund Balances

Fund balance is categorized in the following components:

	<u>General Fund</u>	<u>Nonmajor Fund</u>	<u>Total</u>
Nonspendable:			
Endowments	\$ -	\$ 449,110	\$ 449,110
Prepaid expenditures	<u>27,128</u>	<u>-</u>	<u>27,128</u>
Total nonspendable	<u>27,128</u>	<u>449,110</u>	<u>476,238</u>
Restricted:			
General government	-	372,814	372,814
Culture and recreation	<u>-</u>	<u>257,622</u>	<u>257,622</u>
Total restricted	<u>-</u>	<u>630,436</u>	<u>630,436</u>
Committed:			
General government	-	27,792	27,792
Public safety	-	67,055	67,055
Sanitation	-	135,426	135,426
Conservation	-	95,359	95,359
Culture and recreation	-	45,447	45,447
Capital outlay	<u>623,626</u>	<u>1,073,825</u>	<u>1,697,451</u>
Total committed	<u>623,626</u>	<u>1,444,904</u>	<u>2,068,530</u>
Assigned for public safety	<u>1,322</u>	<u>-</u>	<u>1,322</u>
Unassigned	<u>498,068</u>	<u>(22,430)</u>	<u>475,638</u>
Total fund balance	<u><u>\$ 1,150,144</u></u>	<u><u>\$ 2,502,020</u></u>	<u><u>\$ 3,652,164</u></u>

**TOWN OF HOPKINTON, NEW HAMPSHIRE
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IV. Other Information

IV.A. Risk Management

The Town's risk management activities are reported with governmental activities and recorded in the General Fund. During the fiscal year, the Town was a member of the Local Government Center Property-Liability Trust, Inc. and the NH Public Risk Management Exchange (Primex), which are considered public entity risk pools, currently operating as common risk management and insurance programs for member governmental entities.

Local Government Center Property-Liability Trust, Inc. (the Trust) – This Trust is organized to provide certain property and liability protection to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of the Trust, the Town shares in contributing to the cost of, and receiving benefits from, a self-insured pooled risk management program. The membership and coverage run from July 1 to June 30.

Contributions paid in 2012 for fiscal year 2013 ending June 30, 2013, to be recorded as an insurance expenditure/expense totaled \$72,060. There were no unpaid contributions for the year ending June 30, 2013 and due in 2012. The trust agreement permits the Trust to make additional assessments to members should there be a deficiency in trust assets to meet its liabilities. At this time, the Trust foresees no likelihood of any additional assessments for past years.

Primex – The Town obtained its workers' compensation insurance from this pooled risk management program. Primex retained \$1,000,000 of workers' compensation loss. The Town paid \$59,788 for workers' compensation for the year ended December 31, 2012. The agreement between the Town and Primex permits Primex to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. Currently, Primex foresees no likelihood of any additional assessment for this or any prior year.

IV.B. Retirement Pensions

The New Hampshire Retirement System (NHRS) is a multiple-employer, cost-sharing, contributory public employee defined benefit plan qualified under section 401(a) of the Internal Revenue Code, and funded through a trust which is exempt from tax under Internal Revenue Code section 501(a). The NHRS provides service, disability, death and vested retirement benefits for the Town's police officers and other employees, and their beneficiaries. The New Hampshire Legislature establishes the provisions for benefits and contributions. The NHRS issues a separate financial report that is available by contacting the NHRS at 54 Regional Drive, Concord, NH 03301.

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Both the members and the Town make contributions to the NHRS. Member rates of contribution are set by the Legislature. Employer rates are determined by the NHRS trustees based on an actuarial valuation. The rates of contribution for police officers, firefighters and other employees were 11.55%, 11.8% and 7.0%, respectively. The rates of contribution for pension and the medical subsidy by the Town of Hopkinton were 19.95% for police, 22.89% for fire and 8.80% for other employees. Employer contributions from the Town during the years 2010, 2011, and 2012 were \$214,427, \$252,747, and \$260,129 respectively. The amounts are paid on a monthly basis as due.

IV.C. Contingent Liabilities

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

IV.D. Extraordinary Item

On June 26, 2012, the Town's Highway Garage and certain equipment within were damaged and/or destroyed by fire. During the year, the Town received \$176,585 in insurance proceeds to replace vehicles and certain contents of the building. As well, the Town is reporting a receivable of \$562,063 that was received in early 2013 to be used for replacing the building. A final receipts of \$207,371 was received later in 2013. As of December 31, 2012, \$216,897 had been expended toward vehicle and content replacement, with the building replacement being done in 2013 after Town Meeting approval. Town Meeting approved bonding \$530,566 to be used along with the insurance proceeds to replace the building. The Town also used Capital Reserve funds and existing fund balance for the vehicle replacements.

IV.E. Other Postemployment Benefits

Plan Description

As required by NH RSA 100-A:50, *New Hampshire Retirement System: Medical Benefits*, the Town provides its eligible retirees including certain beneficiaries, the ability to purchase health, dental and prescription drug coverage at the Town's group rates. The Town does not supplement the cost of these plans directly, but recognizes the liability for the inclusion of implicit rate subsidies to the retirees. The subsidy occurs because when a blended rate is used for a group of individuals that includes younger and presumably healthier people along with older, retired people, implicitly, the active employees are subsidizing the retirees. As of December 31, 2012, there were nine retirees with eight spouses, and thirty-two active employees with twenty-five spouses participating in the plan.

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Benefits Provided

The Town provides medical, dental and prescription drug coverage to retirees and their eligible spouses and dependents. All active employees who retire from the Town and meet the eligibility requirements will receive these benefits.

Funding Policy

Retirees contribute all of the premiums as determined by the Town, but the remainder of the costs as derived from the implicit subsidy are paid by the Town on a pay-as-you-go basis.

Annual OPEB Costs and Net OPEB Obligation

The Town's annual OPEB expense for the year 2012 is calculated based on the annual required contribution of the Town (ARC). The Town has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period not to exceed thirty years.

The Town's annual OPEB cost for the year ended December 31, 2012 including the amount actually contributed to the plan and the change in the Town's net OPEB obligation are as follows:

Annual Required Contribution (ARC)	\$ 29,050
Interest on Net OPEB Obligation (NOO)	-
Adjustment to ARC	-
Annual OPEB Cost (Expense)	<u>29,050</u>
Age Adjusted Contributions Made	<u>(6,072)</u>
Change in Net OPEB Obligation (NOO)	22,978
Net OPEB Obligation (NOO), beginning	<u>69,306</u>
Net OPEB Obligation (NOO), ending	<u><u>\$ 92,284</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year 2012 and the preceding three years (the first years of recording) were as follows:

Fiscal Year Ended	Annual OPEB Cost	Age Adjusted Contribution	Percentage of Annual Cost Contributed	Net OPEB Obligation
12/31/2009	\$ 42,584	\$ 14,743	34.62%	\$ 27,841
12/31/2010	\$ 29,581	\$ 10,969	37.08%	\$ 18,612
12/31/2011	\$ 29,050	\$ 6,197	21.33%	\$ 22,853
12/31/2012	\$ 29,050	\$ 6,072	20.90%	\$ 22,978

**TOWN OF HOPKINTON, NEW HAMPSHIRE
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Funded Status and Funding Progress

The funded status of the plan as of December 31, 2012, is as follows:

Actuarial Accrued Liability (AAL)	\$ 278,391
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (AAL)	<u>\$ 278,391</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.00%
Covered Payroll of Active Plan Memebers	\$ 1,849,035
UAAL as a Percentage of Covered Payroll	15.06%

The projection of future benefit payments for an ongoing plan involves 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 schedule of funding progress, presented as required supplementary information after the notes to the financial statements, presents multi-year trend information about whether the value of plan assets is increasing or decreasing over time relative to the accrued liability for benefits.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in accrued liabilities and the value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 62, or at the first subsequent year in which the member would qualify for benefits.

Marital status – Marital status of members at the calculation date was assumed to continue throughout retirement.

Health insurance premiums – The health insurance premiums for retirees in 2012 were used as the basis for calculation of the present value of total benefits to be paid.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT 9
TOWN OF HOPKINTON, NEW HAMPSHIRE
General Fund
Schedule of Revenues, Expenditures and Changes in Unassigned
Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2012

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 3,263,935	\$ 3,315,255	\$ 51,320
Licenses, permits and fees	941,450	994,125	52,675
Intergovernmental	523,012	553,599	30,587
Charges for services	719,800	650,951	(68,849)
Miscellaneous	31,200	731,297	700,097
Total revenues	<u>5,479,397</u>	<u>6,245,227</u>	<u>765,830</u>
EXPENDITURES			
Current:			
General government	1,031,029	978,565	52,464
Public safety	1,558,626	1,473,424	85,202
Highways and streets	1,169,775	1,172,512	(2,737)
Sanitation	594,616	612,601	(17,985)
Health	21,582	19,230	2,352
Welfare	121,689	99,803	21,886
Culture and recreation	649,299	648,089	1,210
Conservation	1	-	1
Economic development	2,000	-	2,000
Debt service:			
Principal of long-term debt	257,267	256,309	958
Interest on long-term debt	94,513	94,684	(171)
Interest on tax anticipation note	2,000	1,395	605
Capital outlay	111,522	155,886	(44,364)
Total expenditures	<u>5,613,919</u>	<u>5,512,498</u>	<u>101,421</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(134,522)</u>	<u>732,729</u>	<u>867,251</u>
Other financing sources (uses):			
Transfers in	111,522	113,000	1,478
Transfers out	(392,000)	(392,000)	-
Total other financing sources and uses	<u>(280,478)</u>	<u>(279,000)</u>	<u>1,478</u>
Net change in fund balance	<u>\$ (415,000)</u>	453,729	<u>\$ 868,729</u>
Increase in nonspendable fund balance		(27,128)	
Increase in commmitted fund balance		(623,626)	
Unassigned fund balance, beginning		<u>1,510,552</u>	
Unassigned fund balance, ending		<u>\$ 1,313,527</u>	

The note to the General Fund Schedule of Revenues, Expenditures and Changes in Unassigned Fund Balance – Budget and Actual is an integral part of this statement.

TOWN OF HOPKINTON, NEW HAMPSHIRE
NOTE TO THE GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN UNASSIGNED FUND BALANCE – BUDGET AND ACTUAL
NON-GAAP BUDGETARY BASIS
FOR THE YEAR ENDED
DECEMBER 31, 2012

Reconciliation of General Fund Budgetary Basis to GAAP

Revenues and other financing sources:	
Per Exhibit 9 (budgetary basis)	\$ 6,358,227
Adjustments:	
Basis difference:	
Tax revenue deferred in the prior year	929,383
Tax revenue deferred in the current year	(815,459)
Per Exhibit 5 (GAAP basis)	<u>\$ 6,472,151</u>
Expenditures and other financing uses:	
Per Exhibit 9 (budgetary basis)	\$ 5,904,498
Adjustments:	
Basis difference:	
Encumbrances, beginning	257
Encumbrances, ending	(1,322)
Per Exhibit 5 (GAAP basis)	<u>\$ 5,903,433</u>
Unassigned fund balance:	
Per Exhibit 9 (budgetary basis)	\$ 1,313,527
Adjustment:	
Basis difference:	
Deferred tax revenue, GAAP basis	(815,459)
Per Exhibit 3 (GAAP basis)	<u>\$ 498,068</u>

EXHIBIT 10
TOWN OF HOPKINTON, NEW HAMPSHIRE
Other Postemployment Benefits
Schedule of Funding Process
December 31, 2012

Valuation Date	Value of Assets	Accrued Liability	Unfunded Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
01/01/2009	\$ -	\$ 404,661	\$ 404,661	0.00%	\$ 1,727,557	23.42%
12/31/2010	\$ -	\$ 286,916	\$ 286,916	0.00%	\$ 1,815,431	15.80%
12/31/2011	\$ -	\$ 275,930	\$ 275,930	0.00%	\$ 1,847,376	14.94%
12/31/2012	\$ -	\$ 278,391	\$ 278,391	0.00%	\$ 1,849,035	15.06%

COMBINING AND INDIVIDUAL FUND SCHEDULES

EXHIBIT 11
TOWN OF HOPKINTON, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2012

	Special Revenue Funds										Capital Projects Fund	Permanent Fund	Total
	Library	Recreation Revolving	Recycling Revolving	Conservation Commission	Pay-by-Bag	Sewer	Senior Center Rental	Drug Forfeiture and Seizure	Public Safety Revolving	Other	Expendable Trust		
ASSETS													
Cash and cash equivalents	\$ 65,124	\$ 48,224	\$ 26,902	\$ 95,359	\$ 88,819	\$ 8,233	\$ 1,078	\$ 13,482	\$ 53,573	\$ 26,213	\$ 56,165	\$ 15,610	\$ 498,782
Investments	13,057	-	-	-	-	-	-	-	-	-	1,025,103	993,255	2,031,415
Accounts receivable	-	-	-	-	9,900	13,528	-	-	-	-	-	-	23,428
Interfund receivable	-	-	-	-	9,805	-	-	-	-	1,579	-	-	11,384
Total assets	<u>\$ 78,181</u>	<u>\$ 48,224</u>	<u>\$ 26,902</u>	<u>\$ 95,359</u>	<u>\$ 108,524</u>	<u>\$ 21,761</u>	<u>\$ 1,078</u>	<u>\$ 13,482</u>	<u>\$ 53,573</u>	<u>\$ 27,792</u>	<u>\$ 1,081,268</u>	<u>\$ 1,008,865</u>	<u>\$ 2,565,009</u>
LIABILITIES AND FUND BALANCES													
Liabilities:													
Accounts payable	\$ -	\$ 500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,428	\$ -	\$ 2,928
Interfund payable	7,500	3,355	-	-	-	32,350	-	-	-	-	5,015	-	48,220
Deferred revenue	-	-	-	-	-	11,841	-	-	-	-	-	-	11,841
Total liabilities	<u>7,500</u>	<u>3,855</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,191</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,443</u>	<u>-</u>	<u>62,989</u>
Fund balances:													
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	449,110	449,110
Restricted	70,681	-	-	-	-	-	-	-	-	-	-	559,755	630,436
Committed	-	44,369	26,902	95,359	108,524	-	1,078	13,482	53,573	27,792	1,073,825	-	1,444,904
Unassigned	-	-	-	-	-	(22,430)	-	-	-	-	-	-	(22,430)
Total fund balances	<u>70,681</u>	<u>44,369</u>	<u>26,902</u>	<u>95,359</u>	<u>108,524</u>	<u>(22,430)</u>	<u>1,078</u>	<u>13,482</u>	<u>53,573</u>	<u>27,792</u>	<u>1,073,825</u>	<u>1,008,865</u>	<u>2,502,020</u>
Total liabilities and fund balances	<u>\$ 78,181</u>	<u>\$ 48,224</u>	<u>\$ 26,902</u>	<u>\$ 95,359</u>	<u>\$ 108,524</u>	<u>\$ 21,761</u>	<u>\$ 1,078</u>	<u>\$ 13,482</u>	<u>\$ 53,573</u>	<u>\$ 27,792</u>	<u>\$ 1,081,268</u>	<u>\$ 1,008,865</u>	<u>\$ 2,565,009</u>

EXHIBIT 12
TOWN OF HOPKINTON, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2012

	Special Revenue Funds									Capital Projects Fund	Permanent Fund	Total	
	Library	Recreation Revolving	Recycling Revolving	Conservation Commission	Pay-by-Bag	Sewer	Senior Center Rental	Drug Forfeiture and Seizure	Public Safety Revolving	Other			Expendable Trust
REVENUES													
Taxes	\$ -	\$ -	\$ -	\$ 7,303	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,303
Charges for services	-	75,614	-	-	89,195	85,392	80	-	106,016	-	-	-	356,297
Miscellaneous	12,694	21	10	37	1,421	-	-	1,019	21	31,907	1,303	62,513	110,946
Total revenues	12,694	75,635	10	7,340	90,616	85,392	80	1,019	106,037	31,907	1,303	62,513	474,546
EXPENDITURES													
Current:													
General government	-	-	-	-	-	-	-	-	-	-	42,535	-	42,535
Public safety	-	-	-	-	-	-	-	-	91,050	-	36,675	-	127,725
Highways and streets	-	-	-	-	-	-	-	-	-	-	146,426	-	146,426
Sanitation	-	-	-	-	-	104,342	-	-	-	-	75,339	-	179,681
Welfare	-	-	-	-	-	-	-	-	-	29,308	-	-	29,308
Culture and recreation	1,023	80,724	-	-	-	-	525	-	-	182	60,307	2,040	144,801
Conservation	-	-	-	2,574	-	-	-	-	-	-	-	-	2,574
Total expenditures	1,023	80,724	-	2,574	-	104,342	525	-	91,050	29,490	361,282	2,040	673,050
Excess (deficiency) of revenues over (under) expenditures	11,671	(5,089)	10	4,766	90,616	(18,950)	(445)	1,019	14,987	2,417	(359,979)	60,473	(198,504)
Other financing sources (uses):													
Transfers in	2,833	-	-	-	-	-	-	-	-	-	392,000	-	394,833
Transfers out	(18,000)	-	-	-	(95,000)	-	-	-	-	-	-	(2,833)	(115,833)
Total other financing sources and uses	(15,167)	-	-	-	(95,000)	-	-	-	-	-	392,000	(2,833)	279,000
Net change in fund balances	(3,496)	(5,089)	10	4,766	(4,384)	(18,950)	(445)	1,019	14,987	2,417	32,021	57,640	80,496
Fund balances, beginning	74,177	49,458	26,892	90,593	112,908	(3,480)	1,523	12,463	38,586	25,375	1,041,804	951,225	2,421,524
Fund balances, ending	\$ 70,681	\$ 44,369	\$ 26,902	\$ 95,359	\$ 108,524	\$ (22,430)	\$ 1,078	\$ 13,482	\$ 53,573	\$ 27,792	\$ 1,073,825	\$ 1,008,865	\$ 2,502,020

EXHIBIT 13
TOWN OF HOPKINTON, NEW HAMPSHIRE
General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2012

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 3,033,587	\$ 3,070,181	\$ 36,594
Land use change	23,000	7,078	(15,922)
Timber	17,000	18,136	1,136
Payments in lieu of taxes	85,248	100,886	15,638
Interest and penalties on delinquent taxes	105,100	118,974	13,874
Total taxes	3,263,935	3,315,255	51,320
Licenses, permits and fees:			
Business licenses and permits	1,000	1,245	245
Motor vehicle permits	922,000	970,224	48,224
Other	18,450	22,656	4,206
Total licenses, permits and fees	941,450	994,125	52,675
Intergovernmental:			
State sources:			
Meals and rooms distributions	249,676	249,636	(40)
Highway block grant	168,292	168,292	-
State and federal forest land	603	603	-
Flood control reimbursement	66,455	59,955	(6,500)
State	37,986	75,113	37,127
Total intergovernmental	523,012	553,599	30,587
Charges for services:			
Income from departments	719,800	650,951	(68,849)
Miscellaneous:			
Sale of property	1,000	1,230	230
Interest on investments	500	-	(500)
Rent of property	3,000	6,300	3,300
Fines and forfeits	1,000	380	(620)
Insurance dividends and reimbursements	16,200	52,804	36,604
Insurance proceeds- Fire	-	644,648	644,648
Other	9,500	25,935	16,435
Total miscellaneous	31,200	731,297	700,097
Other financing sources:			
Transfers in			
Nonmajor funds	111,522	113,000	1,478
Total revenues and other financing sources	5,590,919	\$ 6,358,227	\$ 767,308
Use of fund balance to reduce taxes	415,000		
Total revenues, other financing sources and use of fund balance	\$ 6,005,919		

EXHIBIT 14
TOWN OF HOPKINTON, NEW HAMPSHIRE
General Fund

Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2012

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 254,647	\$ 253,755	\$ -	\$ 892
Election and registration	-	264,149	230,534	-	33,615
Financial administration	-	118,662	117,077	-	1,585
Revaluation of property	-	57,700	50,962	-	6,738
Legal	-	25,000	25,023	-	(23)
Personnel administration	-	22,500	20,132	-	2,368
Planning and zoning	-	116,439	112,003	-	4,436
Cemeteries	-	36,524	34,611	-	1,913
Insurance, not otherwise allocated	-	135,408	134,468	-	940
Total general government	-	1,031,029	978,565	-	52,464
Public safety:					
Police	-	715,516	663,336	-	52,180
Ambulance	-	589,418	575,541	-	13,877
Fire	-	253,691	233,225	1,322	19,144
Emergency management	-	1	-	-	1
Total public safety	-	1,558,626	1,472,102	1,322	85,202
Highways and streets:					
Administration	-	557,615	549,804	-	7,811
Highways and streets	-	610,000	620,683	-	(10,683)
Street lighting	-	2,160	2,025	-	135
Total highways and streets	-	1,169,775	1,172,512	-	(2,737)
Sanitation:					
Solid waste disposal	-	547,199	566,933	-	(19,734)
Solid waste clean-up	-	47,417	45,668	-	1,749
Total sanitation	-	594,616	612,601	-	(17,985)
Health:					
Pest control	-	7,255	4,903	-	2,352
Health agencies and hospitals	-	14,327	14,327	-	-
Total health	-	21,582	19,230	-	2,352
Welfare:					
Administration	-	51,689	45,355	-	6,334
Vendor payments	-	70,000	54,448	-	15,552
Total welfare	-	121,689	99,803	-	21,886
Culture and recreation:					
Parks and recreation	-	358,882	353,583	-	5,299
Public library	-	287,167	291,453	-	(4,286)
Patriotic purposes	-	3,250	3,053	-	197
Total culture and recreation	-	649,299	648,089	-	1,210
Conservation	-	1	-	-	1
Economic development	-	2,000	-	-	2,000

EXHIBIT 14 (continued)
TOWN OF HOPKINTON, NEW HAMPSHIRE
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2012

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal of long-term debt	-	257,267	256,309	-	958
Interest on long-term debt	-	94,513	94,684	-	(171)
Interest on tax anticipation note	-	2,000	1,395	-	605
Total debt service	<u>-</u>	<u>353,780</u>	<u>352,388</u>	<u>-</u>	<u>1,392</u>
Capital outlay:					
Land	-	96,522	-	-	96,522
Machinery, vehicles and equipment	-	-	80,030	-	(80,030)
Buildings	-	15,000	50,394	-	(35,394)
Improvements other than buildings	257	-	25,719	-	(25,462)
Total capital outlay	<u>257</u>	<u>111,522</u>	<u>156,143</u>	<u>-</u>	<u>(44,364)</u>
Other financing uses:					
Transfers out:					
Expendable trust funds	<u>-</u>	<u>392,000</u>	<u>392,000</u>	<u>-</u>	<u>-</u>
Total encumbrances, appropriations, expenditures and other financing uses	<u>\$ 257</u>	<u>\$ 6,005,919</u>	<u>\$ 5,903,433</u>	<u>\$ 1,322</u>	<u>\$ 101,421</u>

EXHIBIT 15
TOWN OF HOPKINTON, NEW HAMPSHIRE
General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2012

Unassigned fund balance, beginning		\$ 1,510,552
Changes:		
Unreserved fund balance used to reduce tax rate		(415,000)
Budget summary:		
Revenue surplus (Exhibit 13)	\$ 767,308	
Unexpended balance of appropriations (Exhibit 14)	<u>101,421</u>	
Budget surplus		868,729
Increase in nonspendable fund balance		(27,128)
Increase in committed fund balance		<u>(623,626)</u>
Unassigned fund balance, ending		<u><u>\$ 1,313,527</u></u>



Roberts & Greene, PLLC

LETTER TO MANAGEMENT

To the Members of the Board of Selectmen
Town of Hopkinton
330 Main Street
Hopkinton, NH 03229

Dear Members of the Board:

In planning and performing our audit of the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Town of Hopkinton as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Hopkinton's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, we wish to follow up on the following matter that was communicated in the prior year.

Sewer Fund Reporting

The Sewer Fund ended the year with a deficit of \$22,430. This deficit increased from the prior year, and we noted that there were changes recommended last year that were implemented effective January 1, 2013 because the year was already in process before the finding was discussed.

Treasurer's Duties and Bookkeeping

We had also noted in the previous year that the Town's Treasurer performs some of the bookkeeping tasks in the Finance Office. In following up on this situation, we noted that the Town had reviewed procedures and taken steps to strengthen internal control in this area. The Treasurer only has access to the accounts payable portion of the Town's accounting system, and only enters data (invoices, etc.) that have been approved by the Finance Director. The Finance Director again reviews all transactions after they are posted. The Treasurer does not have full access to the Town's general ledger system. These procedures provide added assurance that activity is properly posted.

This communication is intended solely for the information and use of the Board of Selectmen and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

August 14, 2013

Roberts & Greene, PLLC

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