

Town of Hopkinton, New Hampshire
Annual Financial Statements
For the Year Ended December 31, 2008

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	12
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities in the Statement of Net Assets	13
Statement of Revenues, Expenditures, and Changes in Fund Balances	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual - General Fund	16
Fiduciary Funds:	
Statement of Fiduciary Net Assets	17
Notes to Financial Statements	18



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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Hopkinton, New Hampshire

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Hopkinton, New Hampshire, as of and for the year ended December 31, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Hopkinton's management. Our responsibility is to express an opinion 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 respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Hopkinton, as of December 31, 2008, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, appearing on the following pages is not a required part of the basic financial statements but is supplementary information required by the *Governmental Accounting Standards Board*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supple

Additional Offices:

Andover, MA • Greenfield, MA • Ellsworth, ME • Manchester, NH

mentary information. However, we did not audit the information and express no opinion on it.

Melanson, Heath + Company P.C.

Nashua, New Hampshire
September 21, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Hopkinton, New Hampshire, we offer readers this narrative overview and analysis of the financial activities of the Town of Hopkinton for the year ended December 31, 2008.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

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

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

The government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities include general government, public safety, education, highways and streets, sanitation, health and human services, welfare, and culture and recreation.

Fund financial statements. 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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements,

governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by the *Governmental Accounting Standards Board*.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 28,313,240 (i.e., net assets), a change of \$ (1,755,786) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 2,298,956, a change of \$ (90,238) in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 269,695, a change of \$ 173,585 in comparison with the prior year.

- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$ 2,775,600, a change of \$ (283,044) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 9,561,128	\$ 8,720,958
Capital assets	<u>28,708,569</u>	<u>30,749,865</u>
Total assets	<u>38,269,697</u>	<u>39,470,823</u>
Long-term liabilities	3,480,070	3,755,382
Other liabilities	<u>6,477,287</u>	<u>5,646,415</u>
Total liabilities	<u>9,957,357</u>	<u>9,401,797</u>
Net assets:		
Invested in capital assets, net of related debt	26,958,763	28,810,191
Restricted	1,958,724	1,077,145
Unrestricted	<u>(605,147)</u>	<u>181,690</u>
Total net assets	<u>\$ 28,312,340</u>	<u>\$ 30,069,026</u>

CHANGES IN NET ASSETS

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Revenues:		
Program revenues:		
Charges for services	\$ 966,780	\$ 868,673
Operating grants and contributions	241,625	278,787
Capital grants and contributions	-	-
General revenues:		
Property taxes	3,168,169	2,594,111
Motor vehicle permits	995,568	963,550
Penalties and interest on taxes	193,387	136,226
Grants and contributions not restricted to specific programs	871,391	896,912

(continued)

(continued)

Investment income	(185,442)	220,769
Miscellaneous	<u>82,187</u>	<u>316,698</u>
Total revenues	6,333,665	6,275,726
Expenses:		
General government	1,017,545	1,391,308
Public safety	1,836,019	1,544,251
Highway and streets	3,116,755	2,908,233
Conservation	13,446	-
Sanitation	827,633	826,595
Health	28,146	7,946
Welfare	107,824	115,200
Culture and recreation	1,012,627	800,217
Interest expense	<u>130,356</u>	<u>142,149</u>
Total expenses	<u>8,090,351</u>	<u>7,735,899</u>
Change in net assets	(1,756,686)	(1,460,173)
Net assets - beginning of year	<u>30,069,026</u>	<u>31,529,199</u>
Net assets - end of year	<u>\$ 28,312,340</u>	<u>\$ 30,069,026</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were \$ 28,313,240, a change of \$ (1,755,786) from the prior year.

The largest portion of net assets \$ 26,958,763 reflects our investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net assets \$ 1,958,724 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets is \$ (604,247), which had it been positive, may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in a change in net assets of \$ (1,755,786). Key elements of this change are as follows:

General fund operations, as discussed further in section D	\$ 165,067
Nonmajor fund revenues and transfers in excess of expenditures and transfers out	(255,305)
Excess principal and maturities, a budgeted (i.e., funded) expense, over depreciation, which is not budgeted	(1,968,943)
Purchase of capital assets using tax and contribution revenue	209,785
Other GAAP accruals	<u>92,710</u>
Total	\$ <u>(1,756,686)</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$ 2,298,956, a change of \$ (90,238) in comparison with the prior year. Key elements of this change are as follows:

General fund operating results, as discussed further in section D	\$ 165,067
Special revenue fund revenues over expenditures and transfers out	6,662
Permanent trust fund revenues and transfers in over expenditures	<u>(261,967)</u>
Total	\$ <u>(90,238)</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$ 269,695, while total fund balance was \$ 278,347. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 4.86 percent of total general fund expenditures, while total fund balance represents 5.02 percent of that same amount.

The fund balance of the general fund changed by \$ 165,067 during the current fiscal year. Key factors in this change are as follows:

Budgeted revenues in excess of actual revenues	\$ 221,179
Expenditures less than budget	148,916
Excess (shortfall) tax collections vs. net assmt	(125,370)
Prior year encumbrances over current year encumbrances	(8,518)
Other GAAP accruals	<u>(71,140)</u>
Total	\$ <u><u>165,067</u></u>

E. GENERAL FUND BUDGETARY HIGHLIGHTS

There were no differences between the original budget and the final amended budget.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year end amounted to \$ 28,708,569 (net of accumulated depreciation), a change of \$ (2,041,296) from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

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

Purchase of:

Police vehicles (cruiser & motorcycle)	\$ 38,380
Public works dump truck	115,385
Public works cargo van	15,384
Henniker Road land	<u>95,000</u>
Subtotal	264,149

Disposal of:

Police Department Dodge Charger	(15,502)
Police Department Crown Victoria	(14,362)
Public works dump truck	<u>(24,500)</u>
Subtotal	(54,364)
Current year depreciation	<u>(2,251,081)</u>
Decrease in capital assets	\$ <u><u>(2,041,296)</u></u>

Additional information on capital assets can be found in the footnotes to the financial statements.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$ 2,775,600 all of which was backed by the full faith and credit of the government.

Additional information on capital assets and long-term debt can be found in the footnotes to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Hopkinton's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Finance Director
Hopkinton Town Hall
330 Main Street
Hopkinton, New Hampshire 03229

TOWN OF HOPKINTON, NEW HAMPSHIRE

STATEMENT OF NET ASSETS

DECEMBER 31, 2008

	Governmental Activities
ASSETS	
Current:	
Cash and short-term investments	\$ 7,245,260
Investments	1,065,044
Receivables, net of allowance for uncollectibles:	
Property taxes	887,096
User Fees	77,823
Noncurrent:	
Receivables, net of allowance for uncollectibles:	
Property taxes	285,905
Land and construction in progress	8,410,469
Other assets, net of accumulated depreciation	<u>20,298,100</u>
TOTAL ASSETS	38,269,697
LIABILITIES	
Current:	
Accounts payable	83,779
Accrued liabilities	126,373
Due to school district	5,806,849
Due to other governments	444,339
Other current liabilities	15,947
Current portion of long-term liabilities:	
Bonds payable	286,698
Other liabilities	38,807
Noncurrent:	
Bonds payable, net of current portion	2,488,902
Other liabilities, net of current portion	<u>664,763</u>
TOTAL LIABILITIES	9,956,457
NET ASSETS	
Invested in capital assets, net of related debt	26,958,763
Restricted for:	
Grants	1,281,088
Permanent funds:	
Nonexpendable	333,260
Expendable	344,376
Unrestricted	<u>(604,247)</u>
TOTAL NET ASSETS	<u><u>\$ 28,313,240</u></u>

See notes to financial statements.

TOWN OF HOPKINTON, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2008

		Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total</u>
Governmental Activities:					
General government	\$ 1,017,545	\$ 8,766	\$ 4,797	\$ -	\$ (1,003,982)
Public safety	1,836,019	383,672	50,467	-	(1,401,880)
Highway and streets	3,116,755	477,284	186,361	-	(2,453,110)
Conservation	13,446	-	-	-	(13,446)
Sanitation	827,633	(965)	-	-	(828,598)
Health	28,146	2,751	-	-	(25,395)
Welfare	107,824	-	-	-	(107,824)
Culture and recreation	1,012,627	95,272	-	-	(917,355)
Debt Service	129,456	-	-	-	(129,456)
Total Governmental Activities	<u>\$ 8,089,451</u>	<u>\$ 966,780</u>	<u>\$ 241,625</u>	<u>\$ -</u>	<u>(6,881,046)</u>
General Revenues:					
					3,168,169
Property taxes					995,568
License and Permits					193,387
Penalties, interest, and other taxes					871,391
Grants and contributions not restricted to specific programs					(185,442)
Investment income					82,187
Miscellaneous					
Total general revenues, interfund transfers, and contributions					<u>5,125,260</u>
Change in Net Assets					(1,755,786)
Net Assets:					
Beginning of year, as restated					<u>30,069,026</u>
End of year					<u>\$ 28,313,240</u>

See notes to financial statements.

TOWN OF HOPKINTON, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2008

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and short-term investments	\$ 5,876,477	\$ 1,368,783	\$ 7,245,260
Investments	-	1,065,044	1,065,044
Receivables:			
Property taxes	1,303,334	-	1,303,334
User fees	66,143	12,978	79,121
Due from other funds	-	22,711	22,711
TOTAL ASSETS	<u>\$ 7,245,954</u>	<u>\$ 2,469,516</u>	<u>\$ 9,715,470</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 83,779	\$ -	\$ 83,779
Accrued liabilities	73,172	-	73,172
Due to school district	5,806,849	-	5,806,849
Due to other governments	8,410	435,929	444,339
Due to other funds	22,711	-	22,711
Deferred revenues	956,739	12,978	969,717
Taxes paid in advance	15,947	-	15,947
TOTAL LIABILITIES	6,967,607	448,907	7,416,514
Fund Balances:			
Reserved for:			
Encumbrances and continuing appropriations	8,652	-	8,652
Perpetual (nonexpendable) permanent funds	-	333,260	333,260
Unreserved:			
Undesignated, reported in:			
General fund	269,695	-	269,695
Special revenue funds	-	1,342,973	1,342,973
Permanent funds	-	344,376	344,376
TOTAL FUND BALANCES	<u>278,347</u>	<u>2,020,609</u>	<u>2,298,956</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,245,954</u>	<u>\$ 2,469,516</u>	<u>\$ 9,715,470</u>

See notes to financial statements.

TOWN OF HOPKINTON, NEW HAMPSHIRE
RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET ASSETS OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET ASSETS

DECEMBER 31, 2008

Total governmental fund balances	\$ 2,298,956
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	28,708,569
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	838,086
<ul style="list-style-type: none">• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(53,201)
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(3,480,070)</u>
Net assets of governmental activities	<u><u>\$ 28,312,340</u></u>

See notes to financial statements.

TOWN OF HOPKINTON, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Property taxes	\$ 3,050,840	\$ 20,523	\$ 3,071,363
Penalties, interest, and other taxes	192,372	1,015	193,387
Charges for services	613,600	354,145	967,745
Intergovernmental	1,048,415	-	1,048,415
Licenses and permits	995,568	-	995,568
Investment income	49,870	(251,900)	(202,030)
Contributions	-	87,092	87,092
Miscellaneous	74,096	2,188	76,284
Total Revenues	<u>6,024,761</u>	<u>213,063</u>	<u>6,237,824</u>
Expenditures:			
Current:			
General government	1,054,391	11,593	1,065,984
Public safety	1,356,806	98,711	1,455,517
Conservation	-	13,446	13,446
Highway and streets	1,142,159	-	1,142,159
Sanitation	620,809	104,644	725,453
Health	24,190	1,480	25,670
Welfare	106,774	-	106,774
Culture and recreation	615,019	122,896	737,915
Capital outlay	209,118	429,831	638,949
Debt service	416,195	-	416,195
Total Expenditures	<u>5,545,461</u>	<u>782,601</u>	<u>6,328,062</u>
Excess (deficiency) of revenues over expenditures	479,300	(569,538)	(90,238)
Other Financing Sources (Uses):			
Transfers in	-	314,233	314,233
Transfers out	(314,233)	-	(314,233)
Total Other Financing Sources (Uses)	<u>(314,233)</u>	<u>314,233</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	165,067	(255,305)	(90,238)
Fund Equity, at Beginning of Year, as restated	<u>113,280</u>	<u>2,275,914</u>	<u>2,389,194</u>
Fund Equity, at End of Year	<u>\$ 278,347</u>	<u>\$ 2,020,609</u>	<u>\$ 2,298,956</u>

See notes to financial statements.

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, 2008

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (90,238)
<ul style="list-style-type: none">Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital outlay purchases, net of disposals	209,785
Depreciation	(2,251,081)
<ul style="list-style-type: none">Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.	
	95,841
<ul style="list-style-type: none">The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets:	
Repayments of debt	283,044
<ul style="list-style-type: none">In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	
	3,695
<ul style="list-style-type: none">Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.	
	<u>(7,732)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u><u>(1,756,686)</u></u>

See notes to financial statements.

TOWN OF HOPKINTON, NEW HAMPSHIRE

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES -
BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues and Other Sources:				
Taxes	\$ 3,176,210	\$ 3,176,210	\$ 3,176,210	\$ -
Licenses, permits and fees	941,300	941,300	995,568	54,268
Intergovernmental	692,687	692,687	841,453	148,766
Charges for services	485,000	485,000	613,600	128,600
Investment income	95,000	95,000	49,870	(45,130)
Penalties, interest and other taxes	164,889	164,889	192,372	27,483
Miscellaneous	152,904	152,904	74,096	(78,808)
Transfers in	<u>14,000</u>	<u>14,000</u>	<u>-</u>	<u>(14,000)</u>
Total Revenues and Other Sources	5,721,990	5,721,990	5,943,169	221,179
Expenditures and Other Uses:				
General government	1,085,259	1,085,259	1,027,760	57,499
Public safety	1,333,902	1,333,902	1,283,776	50,126
Highway and streets	1,111,418	1,111,418	1,124,839	(13,421)
Sanitation	623,467	623,467	611,604	11,863
Health	38,415	38,415	24,190	14,225
Welfare	117,402	117,402	104,784	12,618
Culture and recreation	627,372	627,372	611,070	16,302
Capital outlay	56,623	56,623	52,623	4,000
Miscellaneous	2,000	2,000	2,000	-
Debt service	414,632	414,632	416,195	(1,563)
Transfers out	<u>311,500</u>	<u>311,500</u>	<u>314,233</u>	<u>(2,733)</u>
Total Expenditures and Other Uses	<u>5,721,990</u>	<u>5,721,990</u>	<u>5,573,074</u>	<u>148,916</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>370,095</u>	\$ <u>370,095</u>

See notes to financial statements.

TOWN OF HOPKINTON, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

DECEMBER 31, 2008

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and short term investments	\$ 164,118
Investments	<u>85,846</u>
Total Assets	249,964
<u>LIABILITIES</u>	
Due to school district	180,627
Escrow deposits	<u>69,337</u>
Total Liabilities	<u>249,964</u>
<u>NET ASSETS</u>	
Total net assets held in trust	\$ <u><u>-</u></u>

See notes to financial statements.

TOWN OF HOPKINTON, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Hopkinton (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The government is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2008, it was determined that no entities met the required GASB-39 criteria of component units.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

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

Fund Financial Statements

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

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

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in

the General Fund. Certain special revenue and permanent funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

F. Interfund Receivables and Payables

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

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$ 5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Infrastructure	20 - 60
Buildings	20 - 40
Building improvements	40
Vehicles	8 - 15
Office equipment	7 - 15
Computer equipment	5 - 10

H. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

I. Long-Term Obligations

In the government-wide financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities.

J. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

K. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance and Accountability

A. Budgetary Information

The Town's budget is originally prepared by the Selectmen's office with the cooperation of the various department heads. It is then submitted to the Budget Committee, in accordance with the Municipal Budget Law. After reviewing the budget, the Committee holds a public hearing for discussion.

The final version of the budget is then submitted for approval at the annual Town meeting. The approved budget is subsequently reported to the State of New Hampshire on the statement of appropriation form in order to establish the current property tax rate.

The Selectmen can not increase the total of the approved budget; however, they have the power to reclassify its components when necessary.

B. Budgetary Basis

The General Fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison with budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 6,024,761	\$ 5,545,461

(continued)

(continued)

Other financing sources/uses (GAAP basis)	<u>-</u>	<u>314,233</u>
Subtotal (GAAP Basis)	6,024,761	5,859,694
Adjust tax revenue to accrual basis	125,370	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(17,170)
To reverse the effect of non- budgeted federal grant activity	(156,495)	(156,495)
Add end of year appropriation carryforwards to expenditures	-	8,652
To reverse the effect of non- budgeted State contributions for employee retirement	(50,467)	(50,467)
To recognize timing differences	<u>-</u>	<u>(71,140)</u>
Budgetary basis	\$ <u>5,943,169</u>	\$ <u>5,573,074</u>

3. **Cash and Short-Term Investments**

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. RSA 48:16 limits "deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus, exception that a city with a population in excess of 50,000 is authorized to deposit funds in a solvent bank in excess of the paid-up capital surplus of said bank." The Town does not have a deposit policy for custodial credit risk.

As of December 31, 2008, \$ 144,762 of the Town's bank balance of \$ 7,440,844 was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the Town's name.

4. Investments

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law employs the prudent person rule whereby investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Presented below is the actual rating as of year end for each investment of the Town:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>		
				<u>AAA</u>	<u>AA</u>	<u>A</u>
Federal Securities	\$ 202,017	N/A	\$ 202,017	\$ -	\$ -	\$ -
Corporate bonds	384,784	N/A	-	-	-	384,784
Corporate equities	179,821	N/A	179,821	-	-	-
Mutual funds	<u>384,268</u>	N/A	<u>384,268</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	\$ <u>1,150,890</u>		\$ <u>766,106</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>384,784</u>

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Town does not have policies for custodial credit risk.

C. Concentration of Credit Risk

The Town has a formal policy to eliminate the risk of loss resulting from over-concentration of assets in a specific issuer. The Town does not have an investment in one issuer greater than 5% of total investments.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town has a formal investment policy that limits concentration of assets in a specific maturity.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Corporate bonds	\$ <u>202,017</u>	\$ <u>50,148</u>	\$ <u>151,869</u>	\$ <u>-</u>	\$ <u>-</u>
Total	\$ <u><u>202,017</u></u>	\$ <u><u>50,148</u></u>	\$ <u><u>151,869</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have policies for foreign currency risk.

5. Property Taxes Receivable

The Town bills property taxes semiannually, in May and November. Property tax revenues are recognized in the fiscal year for which taxes have been levied. Property taxes billed or collected in advance of the year for which they are levied, are recorded as a prepaid tax liability.

Property taxes are due on July 1 and December 1. Delinquent accounts are charged 12% interest. At the time of tax sale, in March of the next year, a lien is recorded on the property at the Registry of Deeds. The Town purchases all the delinquent accounts by paying the delinquent balance, recording costs and accrued interest. The accounts that are liened by the Town will be reclassified from property taxes receivable to unredeemed tax liens receivable. After this date, delinquent accounts will be charged interest at a rate of 18%.

The Town annually budgets an amount (overlay for abatements) for property tax abatements and refunds.

Taxes receivable at December 31, 2008 consist of the following:

Real Estate	
2008	\$ 1,007,140
Land Use Tax	9,116
Timber Yield Tax	1,173
Tax Liens	<u>285,905</u>
Total	\$ <u><u>1,303,334</u></u>

6. Allowance for Doubtful Accounts

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts:

	<u>Governmental</u>
Property taxes	\$ 130,333
Sanitation	<u>1,298</u>
Total	\$ <u><u>131,631</u></u>

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2008.

8. Interfund Fund Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the December 31, 2008 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ -	\$ 22,711
Special Revenue Funds	<u>22,711</u>	<u>-</u>
Total	\$ <u><u>22,711</u></u>	\$ <u><u>22,711</u></u>

9. Capital Assets

Capital asset activity for the year ended December 31, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 4,998,043	\$ -	\$ -	\$ 4,998,043
Machinery, equipment, and furnishings	3,250,752	169,149	(344,449)	3,075,452
Infrastructure	<u>38,698,316</u>	<u>-</u>	<u>-</u>	<u>38,698,316</u>
Total capital assets, being depreciated	46,947,111	169,149	(344,449)	46,771,811
Less accumulated depreciation for:				
Buildings and improvements	(1,858,969)	(117,003)	-	(1,975,972)
Machinery, equipment, and furnishings	(1,925,624)	(265,432)	290,085	(1,900,971)
Infrastructure	<u>(20,728,122)</u>	<u>(1,868,646)</u>	<u>-</u>	<u>(22,596,768)</u>
Total accumulated depreciation	<u>(24,512,715)</u>	<u>(2,251,081)</u>	<u>290,085</u>	<u>(26,473,711)</u>
Total capital assets, being depreciated, net	22,434,396	(2,081,932)	(54,364)	20,298,100
Capital assets, not being depreciated:				
Land	<u>8,315,469</u>	<u>95,000</u>	<u>-</u>	<u>8,410,469</u>
Total capital assets, being depreciated, net	<u>8,315,469</u>	<u>95,000</u>	<u>-</u>	<u>8,410,469</u>
Governmental activities capital assets, net	<u>\$ 30,749,865</u>	<u>\$ (1,986,932)</u>	<u>\$ (54,364)</u>	<u>\$ 28,708,569</u>

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

Governmental Activities:	
General government	\$ 11,052
Public safety	132,462
Highway and streets	1,843,138
Sanitation	191,548
Culture and recreation	<u>72,881</u>
Total depreciation expense - governmental activities	<u>\$ 2,251,081</u>

10. Accounts Payable

Accounts payable represent additional 2008 expenditures paid after December 31, 2008.

11. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

The balance of the General Fund deferred revenues account is equal to the total of all December 31, 2008 receivable balances, except property taxes that are accrued for subsequent 60 day collections.

12. Long-Term Debt

A. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds currently outstanding are as follows:

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of December 31, 2008</u>
NH Municipal Bond Bank/ Transfer Station	07/15/09	6.80%	\$ 40,000
Landfill Closure	07/01/17	4.05%	1,026,699
NH Municipal Bond Bank/ Land	01/15/20	4.31%	600,000
NH Municipal Bond Bank/ Open Space	08/15/25	4.00%	395,000
Harris/Myron Property	08/15/20	3.97%	262,477
Waste Water Treatment Facility	04/04/11	4.28%	120,000
Ransmeier Properties	08/15/21	4.39%	<u>331,424</u>
Total Governmental Activities:			\$ <u>2,775,600</u>

B. Future Debt Service

The annual principal payments to retire all general obligation long-term debt outstanding as of December 31, 2008 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 286,698	\$ 106,208	\$ 392,906
2010	251,432	93,939	345,371
2011	256,363	84,167	340,530
2012	221,501	73,912	295,413
2013	226,854	65,003	291,857
2014-2018	1,083,286	190,757	1,274,043
2019-2023	354,238	54,018	408,256
2024-2026	<u>95,228</u>	<u>7,525</u>	<u>102,753</u>
Total	\$ <u>2,775,600</u>	\$ <u>675,529</u>	\$ <u>3,451,129</u>

C. Changes in General Long-Term Liabilities

During the year ended December 31, 2008, the following changes occurred in long-term liabilities:

	Total Balance <u>1/1/08</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>12/31/08</u>	Current <u>Portion</u>	Equals Long-Term Portion <u>12/31/08</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 3,058,644	\$ -	\$ (283,044)	\$ 2,775,600	\$ (286,698)	\$ 2,488,902
Other:						
Landfill postclosure care cost	604,000	46,000	(32,500)	617,500	(30,200)	587,300
Compensated absences	<u>92,738</u>	<u>-</u>	<u>(6,668)</u>	<u>86,070</u>	<u>(8,607)</u>	<u>77,463</u>
Totals	<u>\$ 3,755,382</u>	<u>\$ 46,000</u>	<u>\$ (322,212)</u>	<u>\$ 3,479,170</u>	<u>\$ (325,505)</u>	<u>\$ 3,153,665</u>

13. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the Town to place certain maintenance and monitoring functions at the site for thirty years after closure.

The \$ 617,500 reported as landfill closure and postclosure care liability at December 31, 2008 represents future monitoring costs of the landfill that was capped in 1996. These costs will be captured annually as part of the operating budget. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

14. Restricted Net Assets

The accompanying entity-wide financial statements report restricted net assets when external constraints from grantors or contributors are placed on net assets.

Permanent fund restricted net assets are segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

15. Reserves and Designations of Fund Equity

“Reserves” of fund equity are established to segregate fund balances which are either not available for expenditure in the future or are legally set aside for a specific future use.

The following types of reserves are reported at December 31, 2008:

Reserved for Encumbrances - An account used to segregate that portion of fund balance committed for expenditure of financial resources upon vendor performance.

Reserved for Perpetual Funds - Represents the principal of the nonexpendable trust fund investments. The balance cannot be spent for any purpose; however, it may be invested and the earnings may be spent.

16. General Fund Undesignated Fund Balance

The undesignated general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in respect to how undesignated fund balance is reported in accordance with the budgetary basis for reporting for the State of New Hampshire for tax rate setting purposes. The major difference is the State of New Hampshire considers revenues in connection with property tax receivables to be available to liquidate liabilities when billed rather than received.

The following summarizes the specific differences between GAAP basis and budgetary basis of reporting the general fund undesignated fund balance:

GAAP basis balance	\$ 269,695
Allowance for doubtful accounts	(137,167)
Deferred revenue	<u>956,739</u>
Tax Rate Setting Balance	<u>\$ 1,089,267</u>

17. Commitments and Contingencies

Outstanding Lawsuits - There are several pending lawsuits in which the Town is involved. The Town's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

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

18. Pension Plan

The Town follows the provisions of GASB Statement No. 27, *Accounting for Pensions for State and Local Government Employees*, with respect to the employees' retirement funds.

A. Plan Description

The Town contributes to the New Hampshire Retirement System (the "System"), a cost-sharing multiple-employer, defined benefit pension plan administered by a county retirement board. The System provides retirement, disability and death benefits to plan members and beneficiaries. Revised Statutes Annotated 100-A:41 of New Hampshire Law assigns the System the authority to establish and amend benefit provisions of the plan and grant cost-of-living increases. The System issues a publicly available financial report that can be obtained through the New Hampshire Retirement System at 4 Chenell Drive, Concord, New Hampshire 03301-8509.

B. Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the remaining system-wide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The contributions of plan members and the Town are governed by Chapter 32 of the Massachusetts General Laws. The Town's contributions to the System for the years ended December 31, 2008, 2007 and 2006 were \$ 187,752, \$ 156,987, and \$ 123,029, respectively, which were equal to its annual required contributions for each of these years.

19. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

20. Beginning Fund Balance Net Assets Restatement

The beginning (January 1, 2008) fund balances of the Town have been restated as follows:

Government-Wide Financial Statements:

	Governmental Activities
As previously reported	\$ 30,144,680
To reclass School District trust funds to agency funds (a fiduciary fund)	<u>(75,654)</u>
As restated	<u><u>\$ 30,069,026</u></u>

Fund Basis Financial Statements:

	Nonmajor Governmental Funds	Private Purpose Trust Fund
As previously reported	\$ 2,351,568	\$ 148,863
To reclass School District trust funds to agency funds (a fiduciary fund)	<u>(75,654)</u>	<u>(148,863)</u>
As restated	<u><u>\$ 2,275,914</u></u>	<u><u>\$ -</u></u>