

TOWN OF HOPKINTON, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended December 31, 2009

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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, 2009, 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, 2009, 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, and the supplementary information, appearing in the back of this report, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally

Additional Offices:

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

of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Melanson, Heath + Company P.C.

Nashua, New Hampshire
April 7, 2010

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, 2009.

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 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, 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 avail-

able 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 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 accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 27,456,529 (i.e., net assets), a change of \$ (1,486,198) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 2,729,414, a change of \$ 430,458 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 488,584, a change of \$ 218,889 in comparison with the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$ 2,488,902, a change of \$ (286,698) 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>2009</u>	<u>2008</u>
Current and other assets	\$ 10,511,356	\$ 9,561,128
Capital assets	27,277,214	29,338,056
Total assets	<u>37,788,570</u>	<u>38,899,184</u>
Long-term liabilities	3,372,688	3,480,070
Other liabilities	6,959,353	6,477,287
Total liabilities	<u>10,332,041</u>	<u>9,957,357</u>
Net assets:		
Invested in capital assets, net of related debt	25,718,850	27,588,250
Restricted	2,240,830	1,958,724
Unrestricted	(503,151)	(605,147)
Total net assets	<u>\$ 27,456,529</u>	<u>\$ 28,941,827</u>

CHANGES IN NET ASSETS

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,052,729	\$ 966,780
Operating grants and contributions	306,694	241,625
Capital grants and contributions	-	-
General revenues:		
Property taxes	3,009,820	3,168,169
License and permits	906,993	995,568
Penalties and interest on taxes	265,481	193,387
Grants and contributions not restricted to specific programs	429,016	871,391
Investment income	331,139	(185,442)
Miscellaneous	<u>74,377</u>	<u>82,187</u>
Total revenues	6,376,249	6,333,665

(continued)

(continued)

Expenses:		
General government	1,169,516	1,017,545
Public safety	1,675,150	1,836,019
Highway and streets	3,112,566	3,116,755
Conservation	7,850	13,446
Sanitation	828,773	827,633
Health	36,402	28,146
Welfare	106,892	107,824
Culture and recreation	893,028	1,012,627
Interest expense	113,153	130,356
Miscellaneous	<u>3,560</u>	<u>-</u>
Total expenses	<u>7,946,890</u>	<u>8,090,351</u>
Change in net assets before permanent fund contributions	<u>(1,570,641)</u>	<u>(1,756,686)</u>
Permanent fund contributions	<u>84,443</u>	<u>-</u>
Change in net assets	<u>(1,486,198)</u>	<u>(1,756,686)</u>
Net assets - beginning of year, as restated	<u>28,942,727</u>	<u>30,699,413</u>
Net assets - end of year	<u>\$ 27,456,529</u>	<u>\$ 28,942,727</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 \$ 27,456,529, a change of \$ (1,486,198) from the prior year.

The largest portion of net assets \$ 25,718,850 reflects our investment in capital assets (e.g., land, buildings, and 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 \$ 2,240,830 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets is \$ (503,151), 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 \$ (1,486,198). Key elements of this change are as follows:

General fund operating results, as discussed further in section D	\$ 210,237
Nonmajor fund revenues and transfers in excess of expenditures and transfers out	220,221
Excess over depreciation, which is not budgeted, principal and maturities, a budgeted (i.e., funded) expenditure	(1,990,094)
Purchase of capital assets using tax and contribution revenue	215,950
Other GAAP accruals	<u>(142,512)</u>
Total	<u>\$ (1,486,198)</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 \$ 2,729,414, a change of \$ 430,458 in comparison with the prior year. Key elements of this change are as follows:

General fund operating results, as discussed further in section D	\$ 210,237
Special revenue fund revenues over expenditures and transfers out	96,412
Permanent trust fund revenues and transfers in over expenditures	<u>123,809</u>
Total	<u>\$ 430,458</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund and total fund balance was \$ 488,584. 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 and total fund balance represents 9.37 percent of that same amount.

The fund balance of the general fund changed by \$ 210,237 during the current fiscal year. Key factors in this change are as follows:

Budgeted revenues in excess of actual revenues	\$ 214,639
Expenditures less than budget	277,373
Use of fund balance as a funding source	(187,000)
Excess (shortfall) tax collections vs. net assmt	(10,559)
Prior year encumbrances over current year encumbrances	(6,652)
Other GAAP accruals	<u>(77,564)</u>
Total	<u>\$ 210,237</u>

E. GENERAL FUND BUDGETARY HIGHLIGHTS

The budget differences represent transfers of appropriations between functions per the Board of Selectmen's authority under RSA 32:10.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year end amounted to \$ 27,277,214 (net of accumulated depreciation), a change of \$ (2,060,842) 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:	
Trash ejection trailer - Transfer Station	\$ 59,950
Ambulance	100,000
Sweeper	<u>58,500</u>
Subtotal	218,450
Disposal of:	
Pelican sweeper	<u>(2,500)</u>
Subtotal	(2,500)
Current year depreciation	<u>(2,276,792)</u>
Decrease in capital assets	<u>\$ (2,060,842)</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 \$ 2,488,902 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, 2009

	Governmental <u>Activities</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 8,151,261
Investments	966,154
Receivables, net of allowance for uncollectibles:	
Property taxes	1,168,443
User Fees	105,231
Noncurrent:	
Receivables, net of allowance for uncollectibles:	
Property taxes	120,267
Land and construction in progress	8,410,469
Other assets, net of accumulated depreciation	<u>18,866,745</u>
TOTAL ASSETS	37,788,570
LIABILITIES	
Current:	
Accounts payable	143,768
Accrued liabilities	124,351
Due to school district	6,074,730
Due to other governments	599,451
Other current liabilities	17,053
Current portion of long-term liabilities:	
Bonds payable	251,432
Other liabilities	51,195
Noncurrent:	
Bonds payable, net of current portion	2,237,470
Other liabilities, net of current portion	<u>832,591</u>
TOTAL LIABILITIES	10,332,041
NET ASSETS	
Invested in capital assets, net of related debt	25,718,850
Restricted for:	
Grants	1,402,514
Permanent funds:	
Nonexpendable	471,158
Expendable	367,158
Unrestricted	<u>(503,151)</u>
TOTAL NET ASSETS	<u>\$ 27,456,529</u>

See notes to financial statements.

TOWN OF HOPKINTON, NEW HAMPSHIRE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

		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	\$ 1,169,516	\$ 64,408	\$ 3,702	\$ -	\$ (1,101,406)
Public safety	1,675,150	398,594	51,333	-	(1,225,223)
Highway and streets	3,112,566	401,856	251,659	-	(2,459,051)
Conservation	7,850	-	-	-	(7,850)
Sanitation	828,773	85,017	-	-	(743,756)
Health	36,402	5,400	-	-	(31,002)
Welfare	106,892	-	-	-	(106,892)
Culture and recreation	893,028	97,454	-	-	(795,574)
Debt Service	113,153	-	-	-	(113,153)
Miscellaneous	3,560	-	-	-	(3,560)
Total Governmental Activities	<u>\$ 7,946,890</u>	<u>\$ 1,052,729</u>	<u>\$ 306,694</u>	<u>\$ -</u>	(6,587,467)
General Revenues and Permanent Fund Contributions:					
					3,009,820
					906,993
					265,481
					429,016
					331,139
					74,377
					84,443
Total general revenues and contributions					<u>5,101,269</u>
Change in Net Assets					(1,486,198)
Net Assets:					
Beginning of year, as restated					<u>28,942,727</u>
End of year					<u>\$ 27,456,529</u>

See notes to financial statements.

TOWN OF HOPKINTON, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2009

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and short-term investments	\$ 6,394,588	\$ 1,756,673	\$ 8,151,261
Investments	-	966,154	966,154
Receivables:			
Property taxes	1,431,900	-	1,431,900
User fees	94,311	12,133	106,444
Due from other funds	-	91,294	91,294
TOTAL ASSETS	\$ 7,920,799	\$ 2,826,254	\$ 10,747,053
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 143,768	\$ -	\$ 143,768
Accrued liabilities	77,564	-	77,564
Due to school district	6,074,730	-	6,074,730
Due to other governments	26,160	573,291	599,451
Due to other funds	91,294	-	91,294
Deferred revenues	1,001,646	12,133	1,013,779
Taxes paid in advance	17,053	-	17,053
TOTAL LIABILITIES	7,432,215	585,424	8,017,639
Fund Balances:			
Reserved for:			
Perpetual (nonexpendable) permanent funds	-	471,158	471,158
Unreserved:			
Undesignated, reported in:			
General fund	488,584	-	488,584
Special revenue funds	-	1,402,514	1,402,514
Permanent funds	-	367,158	367,158
TOTAL FUND BALANCES	488,584	2,240,830	2,729,414
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,920,799	\$ 2,826,254	\$ 10,747,053

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, 2009

Total governmental fund balances	\$ 2,729,414
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	27,277,214
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	869,376
<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.	(46,787)
<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>(3,372,688)</u>
Net assets of governmental activities	<u><u>\$ 27,456,529</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, 2009

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Property taxes	\$ 2,954,994	\$ 10,643	\$ 2,965,637
Penalties, interest, and other taxes	263,592	1,889	265,481
Charges for services	650,271	343,079	993,350
Intergovernmental	735,710	-	735,710
Licenses and permits	979,265	-	979,265
Investment income	30,759	300,380	331,139
Contributions	-	84,443	84,443
Miscellaneous	74,377	-	74,377
Total Revenues	<u>5,688,968</u>	<u>740,434</u>	<u>6,429,402</u>
Expenditures:			
Current:			
General government	989,924	125,726	1,115,650
Public safety	1,440,634	210,379	1,651,013
Conservation	-	7,850	7,850
Highway and streets	1,036,224	118,450	1,154,674
Sanitation	602,118	91,120	693,238
Health	5,552	31,166	36,718
Welfare	106,409	-	106,409
Culture and recreation	625,580	197,987	823,567
Capital outlay	3,560	-	3,560
Debt service	406,265	-	406,265
Total Expenditures	<u>5,216,266</u>	<u>782,678</u>	<u>5,998,944</u>
Excess (deficiency) of revenues over expenditures	472,702	(42,244)	430,458
Other Financing Sources (Uses):			
Transfers in	98,656	361,121	459,777
Transfers out	(361,121)	(98,656)	(459,777)
Total Other Financing Sources (Uses)	<u>(262,465)</u>	<u>262,465</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	210,237	220,221	430,458
Fund Equity, at Beginning of Year	<u>278,347</u>	<u>2,020,609</u>	<u>2,298,956</u>
Fund Equity, at End of Year	<u>\$ 488,584</u>	<u>\$ 2,240,830</u>	<u>\$ 2,729,414</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, 2009

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 430,458
<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	215,950
Depreciation	(2,276,792)
<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. 	31,290
<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	286,698
<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. 	6,414
<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>(180,216)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>(1,486,198)</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, 2009

	<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	\$ 2,965,553	\$ 2,965,553	\$ 2,965,553	\$ -
Licenses, permits, and fees	938,402	938,402	979,265	40,863
Intergovernmental	665,104	665,104	684,377	19,273
Charges for services	528,142	528,142	650,271	122,129
Investment income	24,300	24,300	30,759	6,459
Penalties, interest, and other taxes	176,846	176,846	263,592	86,746
Miscellaneous	125,000	125,000	74,377	(50,623)
Transfers in	108,864	108,864	98,656	(10,208)
Use of fund balance	187,000	187,000	187,000	-
Total Revenues and Other Sources	5,719,211	5,719,211	5,933,850	214,639
Expenditures and Other Uses:				
General government	1,018,630	1,017,204	976,068	41,136
Public safety	1,388,077	1,415,788	1,357,169	58,619
Highway and streets	1,116,235	1,104,688	1,015,037	89,651
Sanitation	632,149	629,183	595,604	33,579
Health	5,552	5,552	5,552	-
Welfare	119,243	117,856	104,988	12,868
Culture and recreation	648,192	639,019	616,474	22,545
Capital outlay	4,000	4,000	3,560	440
Debt service	408,268	408,268	406,265	2,003
Transfers out	378,865	377,653	361,121	16,532
Total Expenditures and Other Uses	5,719,211	5,719,211	5,441,838	277,373
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>492,012</u>	\$ <u>492,012</u>

See notes to financial statements.

TOWN OF HOPKINTON, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

DECEMBER 31, 2009

	<u>Agency Funds</u>
<u>ASSETS</u>	
Investments	\$ <u>184,735</u>
Total Assets	184,735
 <u>LIABILITIES</u>	
Due to school district	175,548
Escrow deposits	<u>9,187</u>
Total Liabilities	<u>184,735</u>
 <u>NET ASSETS</u>	
Total net assets	\$ <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 2009, 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)	\$ 5,688,968	\$ 5,216,266
Other financing sources/uses (GAAP basis)	<u>98,656</u>	<u>361,121</u>
Subtotal (GAAP Basis)	5,787,624	5,577,387

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Adjust tax revenue to accrual basis	10,559	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(6,652)
To record the effect of using fund balance as a funding source	187,000	-
To reverse the effect of non-budgeted State contributions for employee retirement	(51,333)	(51,333)
To recognize timing differences	<u>-</u>	<u>(77,564)</u>
Budgetary basis	\$ <u>5,933,850</u>	\$ <u>5,441,838</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, 2009, all of the Town's bank balance of \$ 8,591,734 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>384,267</u>	N/A	<u>384,267</u>	-	-	-
Total investments	\$ <u>1,150,889</u>		\$ <u>766,105</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.

All of the investments of the government have a custodial credit risk exposure of \$ 1,150,889, because the related securities are uninsured, unregistered, and held by the Town's brokerage firm, which is also the Counterparty to these securities.

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>202,017</u>	\$ <u>50,148</u>	\$ <u>151,869</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 re-classified 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, 2009 consist of the following:

Real Estate	\$ 1,045,368
Land Use Tax	7,022
Timber Yield Tax	6,890
Tax Liens	<u>372,620</u>
Total	<u>\$ 1,431,900</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	\$ 143,190
Sanitation	<u>1,213</u>
Total	<u>\$ 144,403</u>

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2009.

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, 2009 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 91,294	\$ -
Special Revenue Funds	<u>-</u>	<u>91,294</u>
Total	<u>\$ 91,294</u>	<u>\$ 91,294</u>

9. Capital Assets

Capital asset activity for the year ended December 31, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 4,998,043	\$ -	\$ (84,000)	\$ 4,914,043
Machinery, equipment, and furnishings	3,075,452	218,450	(133,700)	3,160,202
Infrastructure	<u>39,327,803</u>	<u>-</u>	<u>-</u>	<u>39,327,803</u>
Total capital assets, being depreciated	47,401,298	218,450	(217,700)	47,402,048
Less accumulated depreciation for:				
Buildings and improvements	(1,975,972)	(117,603)	84,000	(2,009,575)
Machinery, equipment, and furnishings	(1,900,971)	(262,950)	131,200	(2,032,721)
Infrastructure	<u>(22,596,768)</u>	<u>(1,896,239)</u>	<u>-</u>	<u>(24,493,007)</u>
Total accumulated depreciation	<u>(26,473,711)</u>	<u>(2,276,792)</u>	<u>215,200</u>	<u>(28,535,303)</u>
Total capital assets, being depreciated, net	20,927,587	(2,058,342)	(2,500)	18,866,745
Capital assets, not being depreciated:				
Land	<u>8,410,469</u>	<u>-</u>	<u>-</u>	<u>8,410,469</u>
Total capital assets, being depreciated, net	<u>8,410,469</u>	<u>-</u>	<u>-</u>	<u>8,410,469</u>
Governmental activities capital assets, net	<u>\$ 29,338,056</u>	<u>\$ (2,058,342)</u>	<u>\$ (2,500)</u>	<u>\$ 27,277,214</u>

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

Governmental Activities:	
General government	\$ 36,736
Public safety	124,567
Highway and streets	1,839,256
Sanitation	203,351
Culture and recreation	72,882
Total depreciation expense - governmental activities	<u>\$ 2,276,792</u>

10. Accounts Payable

Accounts payable represent additional 2009 expenditures paid after December 31, 2009.

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, 2009 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, 2009</u>
Landfill Closure	07/01/17	4.05%	\$ 930,538
NH Municipal Bond Bank/ Land	01/15/20	4.31%	550,000
NH Municipal Bond Bank/ Open Space	08/15/25	4.00%	370,000
Harris/Myron Property	08/15/20	3.97%	245,353
Waste Water Treatment Facility	04/04/11	4.28%	80,000
Ransmeier Properties	08/15/21	4.39%	<u>313,011</u>
Total Governmental Activities:			<u>\$ 2,488,902</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of December 31, 2009 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	232,431	55,911	288,342
2015-2019	969,542	152,976	1,122,518
2020-2024	273,964	40,088	314,052
2025-2026	<u>56,815</u>	<u>3,325</u>	<u>60,140</u>
Total	<u>\$ 2,488,902</u>	<u>\$ 569,321</u>	<u>\$ 3,058,223</u>

C. Changes in General Long-Term Liabilities

During the year ended December 31, 2009, the following changes occurred in long-term liabilities:

	Total Balance <u>1/1/09</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>12/31/09</u>	Current <u>Portion</u>	Equals Long-Term Portion <u>12/31/09</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 2,775,600	\$ -	\$ (286,698)	\$ 2,488,902	\$ (251,432)	\$ 2,237,470
Other:						
Landfill postclosure care cost	617,500	199,500	(43,000)	774,000	(43,000)	731,000
Compensated absences	86,070	-	(4,125)	81,945	(8,195)	73,750
OPEB liability	<u>-</u>	<u>27,841</u>	<u>-</u>	<u>27,841</u>	<u>-</u>	<u>27,841</u>
Totals	<u>\$ 3,479,170</u>	<u>\$ 227,341</u>	<u>\$ (333,823)</u>	<u>\$ 3,372,688</u>	<u>\$ (302,627)</u>	<u>\$ 3,070,061</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 \$ 817,000 reported as landfill closure and postclosure care liability at December 31, 2009 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 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, 2009:

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	\$ 488,584
Allowance for doubtful accounts	(29,709)
Taxes paid in advance	(51,895)
Deferred revenue	<u>1,001,646</u>
Tax Rate Setting Balance	\$ <u><u>1,408,626</u></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. Post-Employment Health Care and Life Insurance Benefits

During the year, the Town implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. The Town has elected to use the alternative measurement method instead of obtaining an actuarial valuation. Statement 45 allows employers with less than one hundred total plan members to apply a simplified alternative measurement method instead of obtaining actuarial valuations. The alternative method includes the same broad measurement steps as an actuarial valuation; however, it permits simplification of certain assumptions to make the method usable by nonspecialists. Statement 45 requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of a required contribution as an expense on the statement of revenues, expenses, and changes in net assets when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their required contribution, a post-employment benefit liability is recognized on the Statement of Net Assets over time.

A. Plan Description

The Town provides its eligible retirees, including in some cases their beneficiaries (as govern by RSA 100-A:50), the ability to purchase health, dental, and prescription insurance at the Town's group rates. Although the Town does not supplement the cost of these plans, GASB Statement 45 requires the Town to recognize the liability for the inclusion of any implicit rate subsidies afforded its retirees. This subsidy is generated as a result of the basic nature of insurance - one risk group subsidizes another to arrive at a blended premium, therefore current employees who are young and healthy subsidized the older retirees. As of December 31, 2009, there were 3 retiree subscribers, including eligible spouses and

dependents, and 47 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Town provides medical, prescription drug, mental health/substance abuse, and life insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

C. Funding Policy

Retirees contribute 100% of the cost of the health plan, as determined by the Town. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The Town's fiscal 2009 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending December 31, 2009, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an alternative measurement method valuation as of January 1, 2009.

Annual Required Contribution (ARC)	\$ 42,584
Interest on net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost	42,584
Contributions made	(14,743)
Increase in net OPEB obligation	27,841
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	\$ 27,841

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$ 42,584	34.6%	\$ 27,841

E. Funded Status and Funding Progress

The funded status of the plan as of January 1, 2008, the date of the most recent valuation was as follows:

Actuarial accrued liability (AAL)	\$ 404,661
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 404,661</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0.0%</u>
Covered payroll (active plan members)	<u>\$ 1,727,557</u>
UAAL as a percentage of covered payroll	<u>23.4%</u>

Valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included 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 following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

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

In the January 1, 2008 actuarial valuation the projected unit credit cost method was used. The value of assets was not determined as the Town has not advance funded its obligation. The assumptions included a 4% investment rate of return and an initial annual healthcare cost trend rate of 10% which decreases to a 5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 4%.

19. 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, 2009, 2008 and 2007 were \$ 194,353, \$ 187,752, and \$ 156,987, respectively, which were equal to its annual required contributions for each of these years.

The payroll for employees covered by the System for the year ended December 31, 2009, was \$ 1,727,557. Contribution requirements for the year ended December 31, 2009, were as follows:

State of New Hampshire	\$ 51,332
Town of Hopkinton	194,353
Employees' contributions	<u>116,164</u>
Total	<u>\$ 361,849</u>

20. Risk Management

The Town 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.

21. 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 <u>Activities</u>
As previously reported	\$ 28,313,240
Record two previously unreported roads within infrastructure capital assets	<u>629,487</u>
As restated	\$ <u>28,942,727</u>

TOWN OF HOPKINTON, NEW HAMPSHIRE
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2009

(Unaudited)

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
01/01/09	\$ -	\$ 404,661	\$ 404,661	0.0%	\$ 1,727,557	23.4%

See Independent Auditors' Report.