

# TOWN OF HOPKINTON, NEW HAMPSHIRE

## FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2010

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

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Town of Hopkinton, as of and for the year ended December 31, 2010, 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 opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Town of Hopkinton as of December 31, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information and schedule of funding progress for other postemployment benefits on pages 28 to 30 are not required parts 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 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. The Town of Hopkinton has not presented a management's discussion and analysis. Accounting principles generally accepted in the United States of America have determined that the management's discussion and analysis is necessary to supplement, but is not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hopkinton's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. They have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Roberts, Greene & Drolet, PLLC*

August 19, 2011

47 Hall Street ■ Concord, NH 03301  
603-856-8005 ■ 603-856-8431 (fax)  
[info@robertsgreenedrolet.com](mailto:info@robertsgreenedrolet.com)

## **BASIC FINANCIAL STATEMENTS**



**EXHIBIT 1**  
**TOWN OF HOPKINTON, NEW HAMPSHIRE**  
**Statement of Net Assets**  
**December 31, 2010**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 7,087,456
Investments	1,768,687
Receivables	1,755,225
Capital assets, not being depreciated:	
Land	8,410,469
Capital assets, net of accumulated depreciation:	
Land improvements	583,457
Buildings	2,778,853
Machinery and equipment	1,066,999
Infrastructure	12,873,684
Intangible items	192,300
Total assets	<u>36,517,130</u>
<b>LIABILITIES</b>	
Accounts payable	125,595
Accrued payroll and benefits	81,879
Accrued interest payable	43,650
Intergovernmental payable	6,117,472
Noncurrent obligations:	
Due within one year:	
Bonds and notes payable	323,363
Compensated absences	8,595
Accrued landfill postclosure care costs	32,500
Due in more than one year:	
Bonds and notes payable	2,424,108
Compensated absences	109,714
Accrued landfill postclosure care costs	520,000
OPEB liability	64,308
Total liabilities	<u>9,851,184</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	24,028,605
Restricted for:	
Perpetual care	619,092
Other purposes	291,925
Unrestricted	1,726,324
Total net assets	<u>\$ 26,665,946</u>

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

**EXHIBIT 2**  
**TOWN OF HOPKINTON, NEW HAMPSHIRE**  
**Statement of Activities**  
**For the Year Ended December 31, 2010**

		Program Revenues		Net (Expense)
		Charges	Operating	Revenue and
		for	Grants and	Changes
	Expenses	Services	Contributions	in Net Assets
Governmental activities:				
General government	\$ 1,079,523	\$ 3,469	\$ 86,886	\$ (989,168)
Public safety	1,685,916	352,897	44,959	(1,288,060)
Highways and streets	2,798,894	-	176,837	(2,622,057)
Sanitation	615,489	605,636	23,614	13,761
Health	21,352	-	-	(21,352)
Welfare	150,273	-	-	(150,273)
Culture and recreation	760,382	61,201	644	(698,537)
Conservation	225	-	-	(225)
Interest on long-term debt	103,236	-	-	(103,236)
Capital outlay	87,521	-	-	(87,521)
Total governmental activities	<u>\$ 7,302,811</u>	<u>\$ 1,023,203</u>	<u>\$ 332,940</u>	<u>(5,946,668)</u>
General revenues:				
Property taxes				3,184,025
Other taxes				204,779
Licenses and permits				948,026
Grants and contributions not restricted to specific programs				426,521
Miscellaneous				419,796
Total general revenues				<u>5,183,147</u>
Change in net assets				(763,521)
Net assets, beginning, as restated, see Note III.D.				<u>27,429,467</u>
Net assets, ending				<u>\$ 26,665,946</u>

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

**EXHIBIT 3**  
**TOWN OF HOPKINTON, NEW HAMPSHIRE**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2010**

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,618,778	\$ 468,678	\$ 7,087,456
Investments	-	1,768,687	1,768,687
Receivables (net of allowance for unavailable):			
Taxes	1,425,357	-	1,425,357
Accounts	107,802	45,106	152,908
Interfund receivable	25,040	71,718	96,758
Total assets	<u>\$ 8,176,977</u>	<u>\$ 2,354,189</u>	<u>\$ 10,531,166</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 125,595	\$ -	\$ 125,595
Accrued salaries and benefits	81,879	-	81,879
Intergovernmental payable	6,117,472	-	6,117,472
Interfund payable	71,718	25,040	96,758
Deferred revenue	1,021,250	13,604	1,034,854
Total liabilities	<u>7,417,914</u>	<u>38,644</u>	<u>7,456,558</u>
<b>FUND BALANCES</b>			
Reserved for encumbrances	42,638	-	42,638
Reserved for endowments	-	471,158	471,158
Reserved for special purposes	-	439,858	439,858
Unreserved, undesignated, reported in:			
General fund	716,425	-	716,425
Special revenue funds	-	1,404,529	1,404,529
Total fund balances	<u>759,063</u>	<u>2,315,545</u>	<u>3,074,608</u>
Total liabilities and fund balances	<u>\$ 8,176,977</u>	<u>\$ 2,354,189</u>	<u>\$ 10,531,166</u>

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

**EXHIBIT 4**  
**TOWN OF HOPKINTON, NEW HAMPSHIRE**  
**Reconciliation of Total Fund Balances of Governmental Funds to the Statement of Net Assets**  
**December 31, 2010**

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Total fund balances of governmental funds (Exhibit 3)		\$ 3,074,608
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost	\$ 56,642,717	
Less accumulated depreciation	<u>(30,736,955)</u>	
		25,905,762
Interfund receivables and payables between governmental funds are eliminated on the statement of net assets.		
Receivables	\$ (96,758)	
Payables	<u>96,758</u>	
		-
Long-term revenues are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Deferred tax revenue	\$ 1,034,854	
Elderly and welfare liens	<u>176,960</u>	
		1,211,814
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(43,650)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes outstanding	\$ 2,747,471	
Compensated absences payable	118,309	
Accrued landfill postclosure care costs	552,500	
OPEB liability	<u>64,308</u>	
		(3,482,588)
Total net assets of governmental activities (Exhibit 1)		<u><u>\$ 26,665,946</u></u>

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

**EXHIBIT 5**  
**TOWN OF HOPKINTON, NEW HAMPSHIRE**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2010**

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 3,216,457	\$ 8,340	\$ 3,224,797
Licenses, permits and fees	948,026	-	948,026
Intergovernmental	671,089	-	671,089
Charges for services	652,954	368,778	1,021,732
Miscellaneous	166,838	121,870	288,708
Total revenues	<u>5,655,364</u>	<u>498,988</u>	<u>6,154,352</u>
Expenditures:			
Current:			
General government	1,019,320	10,468	1,029,788
Public safety	1,410,260	138,747	1,549,007
Highways and streets	1,035,873	-	1,035,873
Sanitation	641,143	155,545	796,688
Health	21,352	-	21,352
Welfare	116,123	33,323	149,446
Culture and recreation	618,927	72,548	691,475
Conservation	-	225	225
Debt service:			
Principal	251,431	-	251,431
Interest	106,373	-	106,373
Capital outlay	463,230	266,253	729,483
Total expenditures	<u>5,684,032</u>	<u>677,109</u>	<u>6,361,141</u>
Deficiency of revenues under expenditures	<u>(28,668)</u>	<u>(178,121)</u>	<u>(206,789)</u>
Other financing sources (uses):			
Transfers in	15,145	230,184	245,329
Transfers out	(226,001)	(19,328)	(245,329)
Long-term debt issued	510,000	-	510,000
Total other financing sources and uses	<u>299,144</u>	<u>210,856</u>	<u>510,000</u>
Net change in fund balances	270,476	32,735	303,211
Fund balances, beginning, as restated, see Note III.D.	488,587	2,282,810	2,771,397
Fund balances, ending	<u>\$ 759,063</u>	<u>\$ 2,315,545</u>	<u>\$ 3,074,608</u>

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

**EXHIBIT 6**  
**TOWN OF HOPKINTON, NEW HAMPSHIRE**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund**  
**Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended December 31, 2010**

Net change in fund balances of governmental funds (Exhibit 5)		\$ 303,211
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capitalized capital outlay in the current period.		
Capitalized capital outlay	\$ 976,869	
Depreciation expense	<u>(2,268,942)</u>	(1,292,073)
The net effect of transactions involving capital assets is to decrease net assets.		(10,334)
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$ (245,329)	
Transfers out	<u>245,329</u>	-
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in governmental funds.		
Change in deferred tax revenue	\$ 165,478	
Elderly and welfare liens	<u>176,960</u>	342,438
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any effect on net assets.		
Issuance of bond	\$ (510,000)	
Repayment of bond and note principal	<u>251,431</u>	(258,569)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 3,137	
Increase in compensated absences payable	(36,364)	
Decrease in accrued landfill postclosure care costs	221,500	
Increase in OPEB liability	<u>(36,467)</u>	151,806
Change in net assets of governmental activities (Exhibit 2)		<u><u>\$ (763,521)</u></u>

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

**EXHIBIT 7**  
**TOWN OF HOPKINTON, NEW HAMPSHIRE**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**December 31, 2010**

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	Private Purpose Trust	Agency
Assets:		
Cash and cash equivalents	\$ -	\$ 258,755
Investments	319,616	422,439
Total assets	<u>319,616</u>	<u>681,194</u>
Liabilities:		
Due to other governmental units	-	674,687
Due to developers	-	6,507
Total liabilities	<u>-</u>	<u>681,194</u>
Net assets:		
Held in trust for specific purposes	<u>\$ 319,616</u>	<u>\$ -</u>

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

**EXHIBIT 8**  
**TOWN OF HOPKINTON, NEW HAMPSHIRE**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Year Ended December 31, 2010**

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	Private Purpose Trust
Additions:	
New funds	\$ 116,662
Investment earnings:	
Interest	10,249
Net change in fair value of investments	<u>27,959</u>
Total additions	154,870
Deductions:	
Trust distributions	<u>14,105</u>
Change in net assets	140,765
Net assets, beginning, as restated, see Note III.D.	<u>178,851</u>
Net assets, ending	<u><u>\$ 319,616</u></u>

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



## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

**TOWN OF HOPKINTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010**

**I. Summary of Significant Accounting Principles**

**I.A. Introduction**

The accounting and reporting framework and the more significant accounting principles and practices of the Town of Hopkinton (the Town) are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the Town's financial activities for the fiscal year ended December 31, 2010.

**I.B. Financial Reporting Entity – Basis of Presentation**

**I.B.1. *Entity Defined***

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

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

*Government-Wide Financial Statements*

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

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

**TOWN OF HOPKINTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010**

*Fund Financial Statements*

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

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

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

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

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

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities.

The Town considers revenues to be available if they are collected within sixty days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond and note principal and interest which are reported as expenditures in the year due.

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

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

**TOWN OF HOPKINTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010**

**I.B.4. *Fund Types and Major Funds***

*Governmental Funds*

The Town reports the following major governmental fund:

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

The Town also reports thirteen nonmajor governmental funds.

*Fiduciary Funds*

The Town reports the following fiduciary funds:

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

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

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

**I.C.1. *Cash and Investments***

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

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

**TOWN OF HOPKINTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010**

New Hampshire law authorizes the Town to invest in obligations of the United States government; the public deposit investment pool established pursuant to RSA 383:22; savings bank deposits; prime bankers' acceptances; or certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the state treasurer.

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

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

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

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

	<u>Years</u>
Land improvements	20
Buildings	50
Machinery and equipment	8-10
Infrastructure	7

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

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

**TOWN OF HOPKINTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010**

**I.C.4. *Equity***

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

- Invested in capital assets, net of related debt, which is computed as the total capital assets less accumulated depreciation, net of outstanding debt used to acquire those assets.
- Restricted for perpetual care, which consists of the balance of the permanent funds that is allowed to be used only for cemetery care.
- Restricted for other purposes, which consists of the balance of the permanent funds that is allowed to be used for library and welfare purposes.
- Unrestricted, which consists of the remaining balances of net assets.

The governmental funds report the following components of fund balance:

- Reserve for encumbrances, which consists of the balance of unexpended appropriations for specific purposes to be carried over to supplement the appropriations of the subsequent year.
- Reserve for endowments, which consists of the balance of permanent funds that was donated or left to the Town for specific purposes.
- Reserve for special purposes, which consists of the remaining balance of the permanent funds (less the endowments).
- Unreserved, undesignated, which is comprised of the remainder of the fund balances.

**I.C.5. *Use of Estimates***

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

**TOWN OF HOPKINTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010**

**II. Stewardship, Compliance and Accountability**

**Budgetary Information**

An annual budget was adopted on a basis consistent with generally accepted accounting principles for the General Fund, as well as the nonmajor Sewer Fund. Unless encumbered, all governmental fund appropriations lapse at year-end. The Town is allowed to use beginning fund balance to balance the budget. In 2010, none of the fund balance from 2009 was used.

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

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

**III. Detailed Notes on Funds and Government-Wide Statements**

**III.A. Assets**

**III.A.1. *Cash and Investments***

As of December 31, 2010, \$124,997 of the Town's cash and equivalents balance of \$7,346,211 was exposed to custodial credit risk as uninsured and uncollateralized.

As of December 31, 2010, the Town had the following investments:

Certificates of Deposit	\$ 65,597
Mutual Funds	142,769
Common and Preferred Stock	713,967
Corporate Bonds	340,325
New Hampshire Public Deposit Investment Pool	1,248,084
	<u>\$ 2,510,742</u>

**TOWN OF HOPKINTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010**

The investments appear in the financial statements as follow:

Fund reporting level:	
Governmental funds - balance sheet (Exhibit 3)	\$ 1,768,687
Fiduciary funds - statement of fiduciary net assets (Exhibit 7)	742,055
Total	<u>\$ 2,510,742</u>

*Investment Policies*

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

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

**Custodial Credit Risk** is the risk that the failure of the counterparty will result in the Town not being able to recover the value of its investment or collateral securities that are in the custody of another party. The investment policy of the Town's Trustees of Trust Funds does not address custodial credit risk. Of the Town's \$2,510,742 of investments, \$1,197,061 is subject to custodial credit risk because the related securities are held by the Town's investment broker, which is also the counterparty for these securities.

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

*Property Taxes Receivable and Property Tax Calendar*

Property taxes are levied and collected by the Town on a semi-annual basis. Tax bills are due on or around July 1 and December 1, with interest of 12% per annum on all taxes not received by the due date. The first billing is an estimate only based on half of the previous year's billing. The final billing is levied based on an inventory taken in April of each year (the tax year runs from April 1 to March 31), and is assessed after the tax rate has been calculated and set by the New Hampshire Department of Revenue Administration. A lien should be executed on any unpaid property taxes in the following year and this lien takes priority over any others. Interest of 18% per annum is charged upon redemption of lien taxes. Properties not redeemed within two years of the date of the tax lien should be deeded to the Town. During the current year, the tax collector executed a tax lien for uncollected 2009 property taxes on April 15.



**TOWN OF HOPKINTON, NEW HAMPSHIRE**  
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**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010**

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

The net assessed valuation as of April 1, 2010, upon which the 2010 property tax levy was based was:

For the New Hampshire education tax	\$ 620,979,687
For all other taxes	\$ 643,631,387

The tax rates and amounts assessed for the year ended December 31, 2010 were as follow:

	Per \$1,000 of Assessed Valuation	
Municipal portion	\$5.05	\$ 3,249,622
School portion:		
State of New Hampshire	\$2.68	1,664,378
Local	\$16.27	10,471,320
County portion	\$2.72	1,751,805
Precinct portion:		
Contoocook Village	\$0.77	110,601
Hopkinton Village	\$0.37	14,926
Total property taxes assessed		<u>\$ 17,262,652</u>

The following details the taxes receivable at year-end:

Property:	
Levy of 2010	\$ 953,600
Levy of 2009	26,483
Levy of 2008	10,632
Unredeemed (under tax lien):	
Levy of 2009	213,946
Levy of 2008	141,434
Levy of 2007	57,253
Levy of 2006	12,084
Levy of 2005	1,618
Land use change	7,022
Timber	1,285
Net taxes receivable	<u>\$ 1,425,357</u>

**TOWN OF HOPKINTON, NEW HAMPSHIRE**  
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*Other Receivables and Uncollectible/Unavailable Accounts*

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

Accounts	\$ 152,908
Liens	176,960
Less: allowance for unavailable amounts	(176,960)
Net total receivables	<u>\$ 152,908</u>

**III.A.3. Capital Assets**

*Changes in Capital Assets*

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

	Balance, beginning, as restated	Changes	Balance, ending
Governmental activities:			
At cost:			
Not being depreciated:			
Land	\$ 8,410,469	\$ -	\$ 8,410,469
Being depreciated:			
Land improvements	665,743	481,585	1,147,328
Buildings and building improvements	4,308,250	40,525	4,348,775
Machinery and equipment	3,100,252	115,790	3,216,042
Infrastructure	39,327,803	-	39,327,803
Intangible items	-	192,300	192,300
Total capital assets being depreciated	<u>47,402,048</u>	<u>830,200</u>	<u>48,232,248</u>
Total all capital assets	<u>55,812,517</u>	<u>830,200</u>	<u>56,642,717</u>
Less accumulated depreciation:			
Land improvements	(523,313)	(40,558)	(563,871)
Buildings and building improvements	(1,486,262)	(83,660)	(1,569,922)
Machinery and equipment	(2,032,721)	(116,322)	(2,149,043)
Infrastructure	(24,562,052)	(1,892,067)	(26,454,119)
Total accumulated depreciation	<u>(28,604,348)</u>	<u>(2,132,607)</u>	<u>(30,736,955)</u>
Net book value, capital assets being depreciated	<u>18,797,700</u>	<u>(1,302,407)</u>	<u>17,495,293</u>
Net book value, all capital assets	<u>\$ 27,208,169</u>	<u>\$ (1,302,407)</u>	<u>\$ 25,905,762</u>

**TOWN OF HOPKINTON, NEW HAMPSHIRE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010**

*Depreciation Expense*

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

Governmental activities:	
General government	\$ 5,680
Public safety	117,056
Highways and streets	2,042,429
Sanitation	37,306
Culture and recreation	66,471
Total depreciation expense	<u>\$ 2,268,942</u>

**III.A.4. Restricted Net Assets**

The government-wide statement of net assets includes restricted net assets of \$619,092 for perpetual care and \$291,925 for library and welfare representing public trusts reported as restricted to reflect purpose restrictions contained in trust indentures.

**III.B. Liabilities**

**III.B.1 Intergovernmental Payables**

Amounts due to other governments at December 31, 2010 consist of:

Balance of the 2010-2011 district assessment due to the Hopkinton School District	\$ 6,062,934
Grant received from State in error to be reimbursed	54,538
Total	<u>\$ 6,117,472</u>

**III.B.2 Long-Term Liabilities**

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

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

**TOWN OF HOPKINTON, NEW HAMPSHIRE**  
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Long-term liabilities currently outstanding are as follow:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at 12/31/2010	Current Portion
General obligation bonds/notes payable:						
Landfill closure	\$ 1,859,384	1997	2017	4.05	\$ 830,325	\$ 104,440
Open space	\$ 761,500	2004	2020	4.31	500,000	50,000
Open space	\$ 467,900	2005	2025	4.00	345,000	25,000
Sludge	\$ 200,000	2006	2011	4.28	40,000	40,000
Open space	\$ 368,250	2006	2026	4.39	294,598	18,413
Open space	\$ 279,837	2007	2020	3.97	227,548	18,510
Open space	\$ 160,000	2010	2015	2.44	160,000	32,000
Community well	\$ 350,000	2010	2020	3.20	350,000	35,000
					<u>2,747,471</u>	<u>323,363</u>
Compensated absences payable:						
Accrued vacation leave					118,309	8,595
Accrued landfill postclosure care costs					552,500	32,500
OPEB liability					64,308	-
					<u>\$ 3,482,588</u>	<u>\$ 364,458</u>

*Changes in Long-Term Liabilities*

The following is a summary of changes in governmental activities' long-term liabilities for the year ended December 31, 2010:

	General Obligation Bonds Payable	Compensated Absences Payable	Accrued Landfill Postclosure Care Costs	OPEB Liability	Total
Balance, beginning	\$ 2,488,902	\$ 81,945	\$ 774,000	\$ 27,841	\$ 3,372,688
Additions	510,000	36,364	-	36,467	582,831
Reductions	(251,431)	-	(221,500)	-	(472,931)
Balance, ending	<u>\$ 2,747,471</u>	<u>\$ 118,309</u>	<u>\$ 552,500</u>	<u>\$ 64,308</u>	<u>\$ 3,482,588</u>

**TOWN OF HOPKINTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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*Debt Service Requirements to Maturity*

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

Governmental activities:

Fiscal Year Ending December 31,	Principal	Interest	Total
2011	\$ 323,363	\$ 111,932	\$ 435,295
2012	288,501	99,124	387,625
2013	293,854	87,311	381,165
2014	299,431	75,401	374,832
2015	305,241	63,131	368,372
2016-2020	1,026,611	154,009	1,180,620
2021-2025	192,065	29,362	221,427
2026	18,405	808	19,213
Totals	<u>\$ 2,747,471</u>	<u>\$ 621,078</u>	<u>\$ 3,368,549</u>

*Unissued, Authorized Debt*

At the March 12, 2003 Town Meeting, \$5,000,000 of bonds were approved for the purpose of acquiring land for open space. As of December 31, 2010, five bonds totaling \$2,086,750 have been issued of this authorization, leaving \$2,913,250 still unissued.

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

**III.C.1. Receivables and Payables**

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

The following reports the interfund receivables and payables at year-end:

Receivable fund	Payable fund	Amount
General	Nonmajor	\$ 25,040
Nonmajor	General	71,718
		<u>\$ 96,758</u>

**TOWN OF HOPKINTON, NEW HAMPSHIRE**  
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**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010**

The amount due to the General Fund represents \$7,711 from the Recreation Revolving Fund and \$17,329 from the Sewer Fund as reimbursements for expenditures. The amount due to the Nonmajor Funds represents \$63,378 to the Ambulance Fund for ambulance fees and \$8,340 to the Conservation Commission Fund, which is 35% of the land use change taxes collected during the year.

**III.C.2. Transfers**

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

The following schedule reports transfers within the reporting entity:

	Transfers In:		
	General Fund	Nonmajor Funds	Total
Transfers out:			
General fund	\$ -	\$ 226,001	\$ 226,001
Nonmajor funds	15,145	4,183	19,328
	<u>\$ 15,145</u>	<u>\$ 230,184</u>	<u>\$ 245,329</u>

The transfers from the General Fund represent \$226,000 to the Expendable Trust Funds as voted by Town Meeting, and \$1 to the Recycling Revolving Fund as voted. The transfers from the Nonmajor Funds represent \$15,000 to the General Fund from the Library Fund for interest, \$145 to the General Fund from the Expendable Trust Funds to close out a capital reserve account, and \$4,183 to the Library Fund from the Permanent Funds representing earnings.

**III.D. Restatement of Beginning Equity Balances**

The beginning equity balances were restated as follow:

	Governmental Activities	General Fund	Nonmajor Governmental Funds	Private Purpose Trust Funds
To adjust accumulated depreciation on infrastructure	\$ (69,045)	\$ -	\$ -	\$ -
To make miscellaneous adjustment to nonmajor funds	41,980	-	41,980	-
To reclassify balance of private purpose trust funds	-	-	-	178,851
Rounding adjustment	3	3	-	-
Net assets/fund balances, as previously reported	27,456,529	488,584	2,240,830	-
Net assets/fund balances, as restated	<u>\$ 27,429,467</u>	<u>\$ 488,587</u>	<u>\$ 2,282,810</u>	<u>\$ 178,851</u>

**TOWN OF HOPKINTON, NEW HAMPSHIRE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010**

**IV. Other Information**

**IV.A. Risk Management**

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

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

Contributions paid in 2010 for fiscal year 2011 ending June 30, 2011; to be recorded as an insurance expenditure/expense totaled \$67,138. There were no unpaid contributions for the year ending June 30, 2011 and due in 2010. The trust agreement permits the Trust to make additional assessments to members should there be a deficiency in trust assets to meet its liabilities. At this time, the Trust foresees no likelihood of any additional assessments for past years.

**Primex** – The Town obtained its workers' compensation insurance from this pooled risk management program. Primex retained \$1,000,000 of workers' compensation loss. The Town paid \$62,823 for workers' compensation for the year ended December 31, 2010. The agreement between the Town and Primex permits Primex to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. Currently, Primex foresees no likelihood of any additional assessment for this or any prior year.

**IV.B. Retirement Pensions**

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

**TOWN OF HOPKINTON, NEW HAMPSHIRE  
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Both the members and the Town make contributions to the NHRS. Member rates of contribution are set by the Legislature. Employer rates are determined by the NHRS trustees based on an actuarial valuation. The rate of contribution for police and fire employees is 9.3% of gross earnings. The rate of contribution for other employees is 5% of gross earnings. For the period of January 1 to June 30, the rate of contribution for pension and the medical subsidy from the Town was 13.66% for police, 17.28% for fire and 9.16% for other employees, which consisted of 70% of the total employer cost for police and fire, and 100% of the total cost for other employees. For the period of July 1 to December 31, the rate of contribution for pension and the medical subsidy was 14.63% for police, 18.52% for fire and 9.16% for other employees, which consisted of 75% of the total employer cost for police and fire, and 100% of the total cost for other employees. The balance of the employer cost was paid by the State of New Hampshire. Employer contributions from the Town during the years 2008, 2009 and 2010 were \$187,752, \$194,353 and \$214,427, respectively. The amounts are paid on a monthly basis as due. The amount paid by the State for 2010 was \$44,348. This amount has been reported as an expenditure/expense and revenue on the government-wide statement of activities and on the governmental funds statement of revenues, expenditures and changes in fund balances.

**IV.C. Contingent Liabilities**

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

**IV.D. Other Postemployment Benefits**

*Plan Description*

As required by NH RSA 100-A:50, *New Hampshire Retirement System: Medical Benefits*, the Town provides its eligible retirees including certain beneficiaries, the ability to purchase health, dental and prescription drug coverage at the Town's group rates. The Town does not supplement the cost of these plans directly, but recognizes the liability for the inclusion of implicit rate subsidies to the retirees. The subsidy occurs because when a blended rate is used for a group of individuals that includes younger and presumably healthier people along with older, retired people, implicitly, the active employees are subsidizing the retirees. As of December 31, 2010, there were eleven retirees with nine spouses, and thirty-eight active employees with twenty-six spouses participating in the plan.



**TOWN OF HOPKINTON, NEW HAMPSHIRE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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*Benefits Provided*

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

*Funding Policy*

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

*Annual OPEB Costs and Net OPEB Obligation*

The Town's annual OPEB expense for the year 2010 is calculated based on the annual required contribution of the Town (ARC). The Town has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period not to exceed thirty years.

The Town's annual OPEB cost for the year ended December 31, 2010 including the amount actually contributed to the plan and the change in the Town's net OPEB obligation are as follow:

Annual Required Contribution (ARC)	\$ 47,436
Interest on Net OPEB Obligation (NOO)	-
Adjustment to ARC	-
Annual OPEB Cost (Expense)	<u>47,436</u>
Age Adjusted Contributions Made	<u>(10,969)</u>
Change in Net OPEB Obligation (NOO)	36,467
Net OPEB Obligation (NOO), beginning	<u>27,841</u>
Net OPEB Obligation (NOO), ending	<u><u>\$ 64,308</u></u>

**TOWN OF HOPKINTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year 2010 and the preceding year (the first year of recording) were as follow:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Age Adjusted Contribution</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2009	\$ 42,584	\$ 14,743	34.62%	\$ 27,841
12/31/2010	\$ 47,436	\$ 10,969	23.12%	\$ 36,467

*Funded Status and Funding Progress*

The funded status of the plan as of December 31, 2010, the date of the most recent valuation is as follows:

Actuarial Accrued Liability (AAL)	\$ 437,631
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 437,631</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.00%
Covered Payroll of Active Plan Members	\$ 1,815,431
UAAL as a Percentage of Covered Payroll	24.11%

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

*Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs

**TOWN OF HOPKINTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010**

between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in accrued liabilities and the value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

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

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

*Health insurance premiums* – The health insurance premiums for retirees in 2010 were used as the basis for calculation of the present value of total benefits to be paid.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**EXHIBIT 9**  
**TOWN OF HOPKINTON, NEW HAMPSHIRE**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)**  
**For the Year Ended December 31, 2010**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 3,236,688	\$ 3,236,688	\$ 3,216,457	\$ (20,231)
Licenses, permits and fees	966,000	966,000	948,026	(17,974)
Intergovernmental	627,037	627,037	671,089	44,052
Charges for services	633,000	633,000	652,954	19,954
Miscellaneous	47,000	47,000	166,838	119,838
Total revenues	<u>5,509,725</u>	<u>5,509,725</u>	<u>5,655,364</u>	<u>145,639</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,039,158	1,039,158	1,019,320	19,838
Public safety	1,411,366	1,411,366	1,410,260	1,106
Highways and streets	1,099,554	1,103,554	1,035,873	67,681
Sanitation	628,861	628,861	641,143	(12,282)
Health	14,327	14,327	21,352	(7,025)
Welfare	119,147	119,147	116,123	3,024
Culture and recreation	625,409	625,409	618,927	6,482
Economic development	2,000	2,000	-	2,000
Debt service:				
Principal	251,432	251,432	251,431	1
Interest	106,470	106,470	106,373	97
Interest on TAN	2,000	2,000	-	2,000
Capital outlay	354,000	510,000	505,868	4,132
Total expenditures	<u>5,653,724</u>	<u>5,813,724</u>	<u>5,726,670</u>	<u>87,054</u>
Deficiency of revenues under expenditures	<u>(143,999)</u>	<u>(303,999)</u>	<u>(71,306)</u>	<u>232,693</u>
Other financing sources (uses):				
Transfers in	20,000	20,000	15,145	(4,855)
Transfers out	(226,001)	(226,001)	(226,001)	-
Long-term debt issued	350,000	510,000	510,000	-
Total other financing sources and uses	<u>143,999</u>	<u>303,999</u>	<u>299,144</u>	<u>(4,855)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	227,838	<u>\$ 227,838</u>
Unreserved fund balance, beginning, as restated, see Note III.D.			488,587	
Unreserved fund balance, ending			<u>\$ 716,425</u>	

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

**TOWN OF HOPKINTON, NEW HAMPSHIRE  
NOTE TO GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
NON-GAAP BUDGETARY BASIS  
FOR THE YEAR ENDED  
DECEMBER 31, 2010**

**Reconciliation of General Fund Budgetary Basis to GAAP**

Expenditures and other financing uses:

Per Exhibit 9 (budgetary basis)

\$ 5,952,671

Adjustment:

Basis difference:

Encumbrances, ending

(42,638)

Per Exhibit 5 (GAAP basis)

\$ 5,910,033

**EXHIBIT 10**  
**TOWN OF HOPKINTON, NEW HAMPSHIRE**  
**Other Postemployment Benefits**  
**Schedule of Funding Progress**  
**December 31, 2010**

<u>Valuation Date</u>	<u>Value of Assets</u>	<u>Accrued Liability</u>	<u>Unfunded Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
1/1/2009	\$ -	\$ 404,661	\$ 404,661	0.00%	\$ 1,727,557	23.42%
12/31/2010	\$ -	\$ 437,631	\$ 437,631	0.00%	\$ 1,815,431	24.11%

## COMBINING AND INDIVIDUAL FUND SCHEDULES



**EXHIBIT 11**  
**TOWN OF HOPKINTON, NEW HAMPSHIRE**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**December 31, 2010**

Special Revenue Funds														
	Library	Recreation Revolving	Ambulance	Recycling Revolving	Conservation Commission	Pay-by-Bag	Sewer	Expendable Trust	Senior Center Rental	Drug Forfeiture and Seizure	Public Safety Revolving	Other	Permanent Fund	Total
<b>ASSETS</b>														
Cash and cash equivalents	\$ 2,854	\$ 56,500	\$ 4,003	\$ 57,633	\$ 87,629	\$ 34,416	\$ 12,983	\$ 89,178	\$ 962	\$ 11,523	\$ 54,091	\$ 23,335	\$ 33,571	\$ 468,678
Investments	68,197	-	-	-	-	-	-	823,045	-	-	-	-	877,445	1,768,687
Accounts receivable, net of allowance for uncollectibles	-	-	-	-	-	24,550	20,556	-	-	-	-	-	-	45,106
Interfund receivable	-	-	63,378	-	8,340	-	-	-	-	-	-	-	-	71,718
Total assets	\$ 71,051	\$ 56,500	\$ 67,381	\$ 57,633	\$ 95,969	\$ 58,966	\$ 33,539	\$ 912,223	\$ 962	\$ 11,523	\$ 54,091	\$ 23,335	\$ 911,016	\$ 2,354,189
<b>LIABILITIES</b>														
Interfund payable	\$ -	\$ 7,711	\$ -	\$ -	\$ -	\$ -	\$ 17,329	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,040
Deferred revenue	-	-	-	-	-	-	13,604	-	-	-	-	-	-	13,604
Total liabilities	-	7,711	-	-	-	-	30,933	-	-	-	-	-	-	38,644
<b>FUND BALANCES</b>														
Reserved for endowments	-	-	-	-	-	-	-	-	-	-	-	-	471,158	471,158
Reserved for special purposes	-	-	-	-	-	-	-	-	-	-	-	-	439,858	439,858
Unreserved, undesignated	71,051	48,789	67,381	57,633	95,969	58,966	2,606	912,223	962	11,523	54,091	23,335	-	1,404,529
Total fund balances	71,051	48,789	67,381	57,633	95,969	58,966	2,606	912,223	962	11,523	54,091	23,335	911,016	2,315,545
Total liabilities and fund balances	\$ 71,051	\$ 56,500	\$ 67,381	\$ 57,633	\$ 95,969	\$ 58,966	\$ 33,539	\$ 912,223	\$ 962	\$ 11,523	\$ 54,091	\$ 23,335	\$ 911,016	\$ 2,354,189

**EXHIBIT 12**  
**TOWN OF HOPKINTON, NEW HAMPSHIRE**  
*Nonmajor Governmental Funds*  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended December 31, 2010**

	Special Revenue Funds											Permanent Fund	Total
	Library	Recreation Revolving	Ambulance	Recycling Revolving	Conservation Commission	Pay-by-Bag	Sewer	Expendable Trust	Senior Center Rental	Drug Forfeiture and Seizure	Public Safety Revolving	Other	
<b>REVENUES</b>													
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 8,340	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,340
Charges for services	-	60,461	63,378	-	-	58,956	95,220	-	740	-	90,023	-	368,778
Miscellaneous	11,759	92	96	187	220	10	1,216	2,121	1	1,461	95	16,861	121,870
Total revenues	11,759	60,553	63,474	187	8,560	58,966	96,436	2,121	741	1,461	90,118	16,861	498,988
<b>EXPENDITURES</b>													
Current:													
General government	-	-	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	55,986	-	-	-	-	-	-	-	82,761	-	10,468
Sanitation	-	-	-	51,521	-	-	104,024	-	-	-	-	-	138,747
Welfare	-	-	-	-	-	-	-	-	-	-	-	-	155,545
Culture and recreation	1,898	56,480	-	-	-	-	-	9,010	-	-	-	32,923	33,323
Conservation	-	-	-	-	225	-	-	-	-	-	-	5,160	72,548
Capital outlay	-	-	-	-	50,000	-	-	211,070	-	-	-	5,183	225
Total expenditures	1,898	56,480	55,986	51,521	50,225	-	104,024	220,080	-	-	82,761	43,266	266,253
Excess (deficiency) of revenues over (under) expenditures	9,861	4,073	7,488	(51,334)	(41,665)	58,966	(7,588)	(217,959)	741	1,461	7,357	(26,405)	(178,121)
Other financing sources (uses):													
Transfers in	4,183	-	-	1	-	-	-	226,000	-	-	-	-	230,184
Transfers out	(15,000)	-	-	-	-	-	-	(145)	-	-	-	-	(19,328)
Total other financing sources and uses	(10,817)	-	-	1	-	-	-	225,855	-	-	-	-	210,856
Net change in fund balances	(956)	4,073	7,488	(51,333)	(41,665)	58,966	(7,588)	7,896	741	1,461	7,357	(26,405)	32,735
Fund balances, beginning, as restated, see Note III.D.	72,007	44,716	59,893	108,966	137,634	-	10,194	904,327	221	10,062	46,734	49,740	2,282,810
Fund balances, ending	\$ 71,051	\$ 48,789	\$ 67,381	\$ 57,633	\$ 95,969	\$ 58,966	\$ 2,606	\$ 912,223	\$ 962	\$ 11,523	\$ 54,091	\$ 23,335	\$ 2,315,545

**EXHIBIT 13**  
**TOWN OF HOPKINTON, NEW HAMPSHIRE**  
**General Fund**  
**Schedule of Estimated and Actual Revenues**  
**For the Year Ended December 31, 2010**

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 3,021,947	\$ 3,028,325	\$ 6,378
Land use	30,000	8,467	(21,533)
Timber	10,000	18,523	8,523
Payments in lieu of taxes	84,741	68,096	(16,645)
Interest and penalties on delinquent taxes	90,000	93,046	3,046
Total taxes	3,236,688	3,216,457	(20,231)
Licenses, permits and fees:			
Business licenses and permits	1,000	1,140	140
Motor vehicle permits	935,000	924,706	(10,294)
Building permits	10,000	-	(10,000)
Other	20,000	22,180	2,180
Total licenses, permits and fees	966,000	948,026	(17,974)
Intergovernmental:			
State sources:			
Meals and rooms distributions	248,839	248,839	-
Highway block grant	176,606	176,606	-
State and federal forest land	954	954	-
Flood control reimbursement	172,137	172,325	188
Retirement contribution	-	44,348	44,348
Other	23,501	28,017	4,516
Federal	5,000	-	(5,000)
Total intergovernmental	627,037	671,089	44,052
Charges for services:			
Income from departments	633,000	652,954	19,954
Miscellaneous:			
Sale of property	9,000	14,000	5,000
Interest on investments	8,000	9,720	1,720
Rents	-	3,789	3,789
Insurance dividends and reimbursements	-	20,867	20,867
Other	30,000	118,462	88,462
Total miscellaneous	47,000	166,838	119,838
Other financing sources:			
Transfers in:			
Nonmajor funds	20,000	15,145	(4,855)
Long-term debt issued	510,000	510,000	-
Total other financing sources	530,000	525,145	(4,855)
Total revenues and other financing sources	\$ 6,039,725	\$ 6,180,509	\$ 140,784

**EXHIBIT 14**  
**TOWN OF HOPKINTON, NEW HAMPSHIRE**  
**General Fund**  
*Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)*  
*For the Year Ended December 31, 2010*

	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:				
General government:				
Executive	\$ 224,951	\$ 221,528	\$ -	\$ 3,423
Election and registration	250,000	234,293	-	15,707
Financial administration	112,754	113,510	-	(756)
Revaluation of property	57,458	74,083	-	(16,625)
Legal	35,000	66,386	-	(31,386)
Personnel administration	83,696	19,018	-	64,678
Planning and zoning	108,294	105,391	-	2,903
Cemeteries	44,349	43,641	-	708
Insurance, not otherwise allocated	122,656	141,470	-	(18,814)
Total general government	<u>1,039,158</u>	<u>1,019,320</u>	<u>-</u>	<u>19,838</u>
Public safety:				
Police	670,203	631,248	-	38,955
Ambulance	525,953	539,458	-	(13,505)
Fire	215,209	239,554	-	(24,345)
Emergency management	1	-	-	1
Total public safety	<u>1,411,366</u>	<u>1,410,260</u>	<u>-</u>	<u>1,106</u>
Highways and streets:				
Administration	541,636	523,422	-	18,214
Highways and streets	560,268	510,522	-	49,746
Street lighting	1,650	1,929	-	(279)
Total highways and streets	<u>1,103,554</u>	<u>1,035,873</u>	<u>-</u>	<u>67,681</u>
Sanitation:				
Solid waste disposal	578,161	593,750	-	(15,589)
Solid waste clean-up	50,700	47,393	-	3,307
Total sanitation	<u>628,861</u>	<u>641,143</u>	<u>-</u>	<u>(12,282)</u>
Health:				
Pest control	-	7,025	-	(7,025)
Health agencies and hospitals	14,327	14,327	-	-
Total health	<u>14,327</u>	<u>21,352</u>	<u>-</u>	<u>(7,025)</u>
Welfare:				
Administration	64,147	65,710	-	(1,563)
Vendor payments	55,000	50,413	-	4,587
Total welfare	<u>119,147</u>	<u>116,123</u>	<u>-</u>	<u>3,024</u>
Culture and recreation:				
Parks and recreation	344,753	334,291	-	10,462
Public library	277,906	280,688	-	(2,782)
Patriotic purposes	2,750	3,948	-	(1,198)
Total culture and recreation	<u>625,409</u>	<u>618,927</u>	<u>-</u>	<u>6,482</u>
Economic development	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>2,000</u>

(continued)

**EXHIBIT 14**  
**TOWN OF HOPKINTON, NEW HAMPSHIRE**  
**General Fund**  
**Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)**  
**For the Year Ended December 31, 2010**

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Encumbered to Subsequent Year</u>	<u>Variance Positive (Negative)</u>
Debt service:				
Principal	251,432	251,431	-	1
Interest	106,470	106,373	-	97
Interest on TAN	2,000	-	-	2,000
Total debt service	<u>359,902</u>	<u>357,804</u>	<u>-</u>	<u>2,098</u>
Capital outlay:				
Land	160,000	155,868	-	4,132
Improvements other than buildings	350,000	307,362	42,638	-
Total capital outlay	<u>510,000</u>	<u>463,230</u>	<u>42,638</u>	<u>4,132</u>
Other financing uses:				
Transfers out:				
Nonmajor funds	226,000	226,000	-	-
Total appropriations, expenditures and other financing uses	<u>\$ 6,039,725</u>	<u>\$ 5,910,033</u>	<u>\$ 42,638</u>	<u>\$ 87,054</u>

**EXHIBIT 15**  
**TOWN OF HOPKINTON, NEW HAMPSHIRE**  
**General Fund**  
***Schedule of Changes in Unreserved - Undesignated Fund Balance (Non-GAAP Budgetary Basis)***  
***For the Year Ended December 31, 2010***

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Unreserved, undesignated fund balance, beginning, as restated, see Note III.D.		\$	488,587
Changes:			
Budget summary:			
Revenue surplus (Exhibit 13)	\$	140,784	
Unexpended balance of appropriations (Exhibit 14)		<u>87,054</u>	
Budget surplus			<u>227,838</u>
Unreserved, undesignated fund balance, ending		\$	<u><u>716,425</u></u>



# Roberts, Greene & Drolet, PLLC

## COMMUNICATION OF SIGNIFICANT DEFICIENCIES

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

Dear Members of the Board:

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Hopkinton as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Hopkinton's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Town of Hopkinton's internal control to be significant deficiencies:

### *Tax Collection*

As part of our review of procedures over the collection of taxes, we inquired of the Tax Collector, Treasurer and Finance Director about the controls and then, performed tests in certain areas. We found that no tax deeds had been executed for the last three years, and that individuals were entering into informal payment arrangements for taxes without the explicit consent of the Board of Selectmen. The New Hampshire Revised Statutes Annotated give very clear description of the duties of tax collectors, and as well, one of the strongest controls that small towns have is the segregation of duties between various positions. The tax collector is authorized to collect the taxes committed to him or her by the Selectmen. Any abatements must be authorized by the Board of Selectmen, and all collections must be in the manner as described in the statutes. Individuals who cannot afford to pay their taxes may apply for elderly or welfare liens as applicable, but in no case is the tax collector authorized to grant special payment arrangements to taxpayers. We found that there were apparently many such arrangements in existence, some oral and some written.

This creates a situation where the Town is losing revenue, and also, when there is no written documentation, disagreements can arise over terms. We recommend that the Tax Collector cease making any form of payment arrangements with individuals, and collect all committed taxes as prescribed by law. Any arrangements already in existence should be given to the Board of Selectmen to follow up with Town Counsel as to their legality. We also recommend that tax deeds be taken on unredeemed taxes when the two year lien period has expired unless the Board of Selectmen has reason not to accept the deed.

*Recreation Department Receipts*

Controls over cash receipts are very important in safeguarding the Town's assets. Reconciliations of cash collections should be made whenever possible. In 2010, the Recreation Director was collecting fees for several programs offered by the Town, as well as donations. All collections were kept in a safe at the community center until submitted to the Finance Director monthly along with a monthly report. The Finance Director counts the money and ensures that it agrees with the report. The deposit is then given to the Treasurer to take to the bank. The weakness in this process is that receipts are not given to the payers of money except for the Summer Camp program, and rosters of participants are not maintained for some of the programs. This creates a situation where errors could be made, and there is no way to reconcile what the actual collection should be.

We recommend that rosters be prepared and prenumbered receipts issued for all collections. This would make it fairly easy to reconcile the deposit to what the actual collections should be. The number of people participating in a program or event times the participant fee should equal the collections. These reconciliations should be performed by someone other than the Recreation Director which will lead to further segregation and strengthen controls.

*Library Cash Accounts*

We noted that the library director is a signer on the library's bank accounts and has custody of the checks. This creates a weakness in controls as one individual can initiate and finalize cash transactions with no segregation of duties. We recommend that the library director approve all payments from the cash accounts, but that she not be a signatory on the accounts and that all checks be signed by the library treasurer or a member of the Board of Trustees approved by a majority of the Board.

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

*Roberts, Green & Dioret, PLLC*

August 19, 2011