

TOWN OF HOPKINTON, NEW HAMPSHIRE

FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2011

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Town of Hopkinton, as of and for the year ended December 31, 2011, 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, 2011, 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 30 to 32 are not required parts of the basic financial statements, but are presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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 are the responsibility of management and were derived from, and relate directly to, the underlying accounting

Town of Hopkinton
Independent Auditor's Report

and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund schedules are fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

July 30, 2012

Roberts & Heene, PLLC

BASIC FINANCIAL STATEMENTS

EXHIBIT 1
TOWN OF HOPKINTON, NEW HAMPSHIRE
Statement of Net Assets
December 31, 2011

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 7,216,667
Investments	1,928,417
Intergovernmental receivable	67,142
Other receivables, net of allowance for uncollectibles	1,613,011
Capital assets, not being depreciated:	
Land	8,410,469
Construction in progress	1,600
Capital assets, net of accumulated depreciation:	
Land improvements	535,628
Buildings and building improvements	2,789,416
Machinery, vehicles and equipment	1,104,800
Infrastructure	11,214,014
Intangible items	192,300
Total assets	<u>35,073,464</u>
LIABILITIES	
Accounts payable	87,611
Accrued payroll and benefits	105,951
Accrued interest payable	41,108
Intergovernmental payable	6,491,609
Unearned revenue	3,941
Noncurrent obligations:	
Due within one year:	
Bonds and notes payable	256,319
Capital lease payable	15,509
Compensated absences	768
Accrued landfill postclosure care costs	30,000
Due in more than one year:	
Bonds and notes payable	2,040,774
Capital lease payable	69,587
Compensated absences	144,683
Accrued landfill postclosure care costs	450,000
OPEB liability	69,306
Total liabilities	<u>9,807,166</u>
NET ASSETS	
Invested in capital assets, net of related debt	22,507,826
Restricted for:	
Perpetual care:	
Nonexpendable	305,022
Expendable	340,526
Other purposes	305,677
Unrestricted	1,807,247
Total net assets	<u>\$ 25,266,298</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, 2011

		Program Revenues		Net (Expense)
		Charges	Operating	Revenue and
		for	Grants and	Changes
	Expenses	Services	Contributions	in Net Assets
Governmental activities:				
General government	\$ 1,006,659	\$ 980	\$ 52,631	\$ (953,048)
Public safety	1,706,511	434,156	80,021	(1,192,334)
Highways and streets	2,973,610	-	192,083	(2,781,527)
Sanitation	701,088	569,914	23,796	(107,378)
Health	21,414	-	-	(21,414)
Welfare	145,466	-	-	(145,466)
Culture and recreation	683,079	66,621	24,033	(592,425)
Conservation	80,950	-	-	(80,950)
Economic development	2,000	-	-	(2,000)
Interest on long-term debt	107,682	-	-	(107,682)
Capital outlay	110,687	-	-	(110,687)
Total governmental activities	<u>\$ 7,539,146</u>	<u>\$ 1,071,671</u>	<u>\$ 372,564</u>	<u>(6,094,911)</u>
General revenues:				
Property taxes				3,057,224
Other taxes				293,587
Licenses and permits				964,101
Grants and contributions not restricted to specific programs				281,534
Miscellaneous				83,086
Total general revenues				<u>4,679,532</u>
Change in net assets				(1,415,379)
Net assets, beginning				<u>26,681,677</u>
Net assets, ending				<u>\$ 25,266,298</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, 2011

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 6,734,916	\$ 481,751	\$ 7,216,667
Investments	-	1,928,417	1,928,417
Receivables, net of allowances for uncollectible:			
Taxes	1,314,792	-	1,314,792
Accounts	80,802	24,997	105,799
Intergovernmental	67,142	-	67,142
Interfund receivable	18,922	11,535	30,457
Total assets	<u>\$ 8,216,574</u>	<u>\$ 2,446,700</u>	<u>\$ 10,663,274</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 87,611	\$ -	\$ 87,611
Accrued salaries and benefits	105,791	160	105,951
Intergovernmental payable	6,491,609	-	6,491,609
Interfund payable	11,535	18,922	30,457
Deferred revenue	938,602	6,094	944,696
Total liabilities	<u>7,635,148</u>	<u>25,176</u>	<u>7,660,324</u>
Fund balances:			
Nonspendable	-	434,359	434,359
Restricted	-	591,043	591,043
Committed	257	1,399,602	1,399,859
Unassigned	581,169	(3,480)	577,689
Total fund balances	<u>581,426</u>	<u>2,421,524</u>	<u>3,002,950</u>
Total liabilities and fund balances	<u>\$ 8,216,574</u>	<u>\$ 2,446,700</u>	<u>\$ 10,663,274</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, 2011

Total fund balances of governmental funds (Exhibit 3)		\$ 3,002,950
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	\$ 57,168,955	
Less accumulated depreciation	<u>(32,920,728)</u>	
		24,248,227
Interfund receivables and payables between governmental funds are eliminated on the statement of net assets.		
Receivables	\$ (30,457)	
Payables	<u>30,457</u>	
		-
Long-term revenues are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Deferred tax revenue	\$ 934,661	
Deferred sewer charges	6,094	
Unavailable elderly and welfare liens	<u>192,420</u>	
		1,133,175
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(41,108)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes outstanding	\$ 2,297,093	
Capital lease outstanding	85,096	
Compensated absences payable	145,451	
Accrued landfill postclosure care costs	480,000	
OPEB liability	<u>69,306</u>	
		<u>(3,076,946)</u>
Total net assets of governmental activities (Exhibit 1)		<u>\$ 25,266,298</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, 2011

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 3,410,405	\$ 11,535	\$ 3,421,940
Licenses, permits and fees	993,189	-	993,189
Intergovernmental	557,419	-	557,419
Charges for services	682,802	367,291	1,050,093
Miscellaneous	81,738	98,027	179,765
Total revenues	<u>5,725,553</u>	<u>476,853</u>	<u>6,202,406</u>
Expenditures:			
Current:			
General government	964,595	53,958	1,018,553
Public safety	1,461,558	108,251	1,569,809
Highways and streets	1,146,259	-	1,146,259
Sanitation	597,328	132,961	730,289
Health	21,414	-	21,414
Welfare	132,196	12,862	145,058
Culture and recreation	621,199	71,997	693,196
Conservation	-	16,990	16,990
Economic development	2,000	-	2,000
Debt service:			
Principal	451,342	-	451,342
Interest	109,260	-	109,260
Capital outlay	231,735	223,256	454,991
Total expenditures	<u>5,738,886</u>	<u>620,275</u>	<u>6,359,161</u>
Deficiency of revenues under expenditures	<u>(13,333)</u>	<u>(143,422)</u>	<u>(156,755)</u>
Other financing sources (uses):			
Transfers in	143,838	395,897	539,735
Transfers out	(393,238)	(146,497)	(539,735)
Inception of capital lease	85,096	-	85,096
Total other financing sources and uses	<u>(164,304)</u>	<u>249,400</u>	<u>85,096</u>
Net change in fund balances	(177,637)	105,978	(71,659)
Fund balances, beginning	759,063	2,315,546	3,074,609
Fund balances, ending	<u>\$ 581,426</u>	<u>\$ 2,421,524</u>	<u>\$ 3,002,950</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, 2011

Net change in fund balances of governmental funds (Exhibit 5)			\$ (71,659)
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	\$ 573,264		
Depreciation expense	(2,217,289)		
		(1,644,025)	
The net effect of capital asset disposals is to decrease net assets.		(11,385)	
Transfers in and out between governmental funds are eliminated on the operating statement.			
Transfers in	\$ (539,735)		
Transfers out	539,735		
		-	
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	\$ (86,589)		
Change in deferred sewer charges	(7,510)		
Change in allowance for unavailable liens	15,460		
		(78,639)	
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.			
Inception of capital lease	\$ (85,096)		
Repayment of bond and note principal	450,378		
		365,282	
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	\$ 2,542		
Increase in compensated absences payable	(27,142)		
Decrease in accrued landfill postclosure care costs	72,500		
Increase in OPEB liability	(22,853)		
		25,047	
Change in net assets of governmental activities (Exhibit 2)			<u>\$ (1,415,379)</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, 2011

	Private Purpose Trust	Agency
Assets:		
Cash and cash equivalents	\$ -	\$ 224,897
Investments	353,466	364,347
Total assets	<u>353,466</u>	<u>589,244</u>
Liabilities:		
Due to other governmental units	-	583,569
Due to developers	-	5,675
Total liabilities	<u>-</u>	<u>589,244</u>
Net assets:		
Held in trust for specific purposes	<u>\$ 353,466</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, 2011

	Private Purpose Trust
Additions:	
New funds	\$ 14,396
Investment earnings:	
Interest	18,251
Net change in fair value of investments	11,708
Total additions	<u>44,355</u>
Deductions:	
Trust distributions	<u>10,505</u>
Change in net assets	33,850
Net assets, beginning	<u>319,616</u>
Net assets, ending	<u><u>\$ 353,466</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, 2011

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, 2011.

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, 2011

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. For the year 2011, the Town has implemented the provisions of GASB Statement No. 54, which results in fund balance being reported in different components from prior years, and the expendable trust funds being reported in a capital projects fund.

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.

TOWN OF HOPKINTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

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.

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.

TOWN OF HOPKINTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

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

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

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

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

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

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

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

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

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

TOWN OF HOPKINTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

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. This balance is segregated between nonexpendable, representing the principal balance that must be invested to generate income and cannot be expended, and expendable, representing income earned that can be used for cemetery care.
- Restricted for other purposes, which consists of the rest of the permanent funds that is allowed to be used for library and other purposes.
- Unrestricted, which consists of the remaining balances of net assets.

The governmental funds report the following components of fund balance:

- Nonspendable, representing the principal balance of the permanent funds that cannot be spent.
- Restricted, representing the income portion of the permanent funds and the balance of the library fund that can only be used for specific purposes per terms of endowments or State law.
- Committed, representing the balance of special warrant articles, expendable trust funds and positive balances of special revenue funds.
- Unassigned, representing the remaining balance of the general fund, and the deficit balances of any other funds.

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, 2011

II. Stewardship, Compliance and Accountability

Budgetary Information

An annual budget was adopted on a basis consistent with generally accepted accounting principles for the General Fund, as well as some of the nonmajor funds. Unless encumbered, all governmental fund appropriations lapse at year-end. The Town is allowed to use beginning fund balance to balance the budget. In 2011, \$555,537 of the fund balance from 2010 was used.

Encumbrance accounting is employed by the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as commitments 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. Investments

As of December 31, 2011, the Town had the following investments:

Certificates of Deposit	\$ 10,296
American Depository Receipts	53,569
Common Stock	644,494
Preferred Stock	102,755
Corporate Bonds	431,708
iShares	53,658
New Hampshire Public Deposit Investment Pool	1,349,750
	<u>\$ 2,646,230</u>

**TOWN OF HOPKINTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011**

The investments appear in the financial statements as follow:

Governmental funds - balance sheet (Exhibit 3)	\$ 1,928,417
Fiduciary funds - statement of fiduciary net assets (Exhibit 7)	717,813
Total	<u>\$ 2,646,230</u>

Investment Policies

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

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

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

Property Taxes Receivable and Property Tax Calendar

Property taxes are levied and collected by the Town on a semi-annual basis. Tax bills are due on or around July 1 and December 1, with interest of 12% per annum on all taxes not received by the due date. The first billing is an estimate only based on half of the previous year's billing. The final billing is levied based on an inventory taken in April of each year (the tax year runs from April 1 to March 31), and is assessed after the tax rate has been calculated and set by the New Hampshire Department of Revenue Administration. A lien should be executed on any unpaid property taxes in the following year and this lien takes priority over any others. Interest of 18% per annum is charged upon redemption of 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 2010 property taxes on April 15.

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

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The net assessed valuation as of April 1, 2011, upon which the 2011 property tax levy was based was:

For the New Hampshire education tax	\$ 624,175,895
For all other taxes	\$ 647,051,795

The tax rates and amounts assessed for the year ended December 31, 2011 were as follow:

	Per \$1,000 of Assessed Valuation	
Municipal portion	\$5.06	\$ 3,279,296
School portion:		
State of New Hampshire	\$2.43	1,515,831
Local	\$17.17	11,108,478
County portion	\$2.88	1,860,612
Precinct portion:		
Contoocook Village	\$0.77	110,268
Hopkinton Village	\$0.44	17,654
Total property taxes assessed		<u>\$ 17,892,139</u>

The following details the taxes receivable at year-end:

Property:	
Levy of 2011	\$ 872,495
Levy of 2010	764
Unredeemed (under tax lien):	
Levy of 2010	271,073
Levy of 2009	137,428
Levy of 2008	36,037
Levy of 2007	18,538
Levy of 2006	5,035
Levy of 2005	1,618
Land use change	13,787
Timber	260
Less: allowance for estimated uncollectible taxes	(42,243)
Net taxes receivable	<u>\$ 1,314,792</u>

Other Receivables and Uncollectible/Unavailable Accounts

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

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Related amounts are shown in the following table:

Accounts	\$ 105,799
Intergovernmental	67,142
Elderly and welfare liens	192,420
Less: allowance for unavailable amounts	<u>(192,420)</u>
Net total receivables	<u><u>\$ 172,941</u></u>

Deferred Revenue

Deferred revenue in the governmental funds consists of \$934,661 of taxes and \$6,094 of sewer charges deferred because they were not received within sixty days of year-end, and \$3,941 representing an overpayment from the Town of Webster for landfill reimbursement that will be credited to revenue in 2012. In the governmental activities, the \$3,941 is considered to be unearned.

III.A.3. Capital Assets

Changes in Capital Assets

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

	Balance, beginning (as restated)	Additions	Deductions	Balance, ending
Governmental activities:				
At cost:				
Not being depreciated:				
Land	\$ 8,410,469	\$ -	\$ -	\$ 8,410,469
Construction in progress	-	1,600	-	1,600
Total capital assets not being depreciated	<u>8,410,469</u>	<u>1,600</u>	<u>-</u>	<u>8,412,069</u>
Being depreciated:				
Land improvements	1,147,328	-	-	1,147,328
Buildings and building improvements	4,348,775	93,908	-	4,442,683
Machinery, vehicles and equipment	3,216,042	309,294	(47,026)	3,478,310
Infrastructure	39,327,803	168,462	-	39,496,265
Intangibles	192,300	-	-	192,300
Total capital assets being depreciated	<u>48,232,248</u>	<u>571,664</u>	<u>(47,026)</u>	<u>48,756,886</u>
Total all capital assets	<u>56,642,717</u>	<u>573,264</u>	<u>(47,026)</u>	<u>57,168,955</u>
Less accumulated depreciation:				
Land improvements	(563,871)	(47,829)	-	(611,700)
Buildings and building improvements	(1,569,922)	(83,345)	-	(1,653,267)
Machinery, vehicles and equipment	(2,151,168)	(257,983)	35,641	(2,373,510)
Infrastructure	(26,454,119)	(1,828,132)	-	(28,282,251)
Total accumulated depreciation	<u>(30,739,080)</u>	<u>(2,217,289)</u>	<u>35,641</u>	<u>(32,920,728)</u>
Net book value, capital assets being depreciated	<u>17,493,168</u>	<u>(1,645,625)</u>	<u>(11,385)</u>	<u>15,836,158</u>
Net book value, all capital assets	<u><u>\$ 25,903,637</u></u>	<u><u>\$ (1,644,025)</u></u>	<u><u>\$ (11,385)</u></u>	<u><u>\$ 24,248,227</u></u>

**TOWN OF HOPKINTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Depreciation expense was charged to functions of the Town as follows:

Governmental activities:	
General government	\$ 2,532
Public safety	120,143
Highways and streets	1,990,814
Sanitation	39,840
Conservation	63,960
Total depreciation expense	<u>\$ 2,217,289</u>

III.A.4. *Restricted Net Assets*

The government-wide statement of net assets includes restricted net assets of \$645,548 for perpetual care and \$305,677 for library and welfare representing public trust funds reported as restricted to reflect purpose restrictions contained in trust indentures.

III.B. *Liabilities*

III.B.1 *Intergovernmental Payables*

Amounts due to other governments at December 31, 2011 consist of:

Balance of the 2011-2012 district assessment due to the Hopkinton School District	\$ 6,490,169
Balance of the 2011 assessment due to the Contoocook Village Precinct	1,268
Balance of the 2011 assessment due to the Hopkinton Village Precinct	172
Total	<u>\$ 6,491,609</u>

III.B.2 *Long-Term Liabilities*

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

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

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Long-term liabilities currently outstanding are as follow:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at 12/31/2011	Current Portion
General obligation bonds/notes payable:						
Landfill closure	\$ 1,859,384	1997	2017	4.05	\$ 725,884	\$ 108,843
Open space (Beyer/Carson/Rollins)	\$ 761,500	2004	2020	4.31	450,000	50,000
Open space (Rice)	\$ 467,900	2005	2025	4.00	320,000	25,000
Open space (Ransmeier)	\$ 368,250	2006	2026	4.39	276,185	18,413
Open space (Myron)	\$ 279,837	2007	2020	3.97	210,024	19,063
Community well	\$ 350,000	2010	2020	3.20	315,000	35,000
					<u>2,297,093</u>	<u>256,319</u>
Capital lease payable:						
Loader/backhoe	\$ 85,096	2011	2016	4.55	85,096	15,509
Compensated absences payable					145,451	768
Accrued landfill postclosure care costs					480,000	30,000
OPEB liability					69,306	-
					<u>\$ 3,076,946</u>	<u>\$ 302,596</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, 2011:

	General Obligation Bonds and Notes Payable	Capital Lease Payable	Compensated Absences Payable	Accrued Landfill Postclosure Care Costs	OPEB Liability (as restated)	Total
Balance, beginning	\$ 2,747,471	\$ -	\$ 118,309	\$ 552,500	\$ 46,453	\$ 3,464,733
Additions	-	85,096	38,561	-	22,853	146,510
Reductions	(450,378)	-	(11,419)	(72,500)	-	(534,297)
Balance, ending	<u>\$ 2,297,093</u>	<u>\$ 85,096</u>	<u>\$ 145,451</u>	<u>\$ 480,000</u>	<u>\$ 69,306</u>	<u>\$ 3,076,946</u>

This note continues on the following page.

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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:

Fiscal Year Ending December 31,	Principal	Interest	Total
2012	\$ 256,319	\$ 96,183	\$ 352,502
2013	261,669	85,155	346,824
2014	267,252	74,018	341,270
2015	273,070	62,522	335,592
2016	279,131	50,782	329,913
2017-2021	787,596	113,123	900,719
2022-2026	172,056	20,969	193,025
Totals	<u>\$ 2,297,093</u>	<u>\$ 502,752</u>	<u>\$ 2,799,845</u>

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

Fiscal Year Ending December 31,	Principal	Interest	Total
2012	\$ 15,509	\$ 3,954	\$ 19,463
2013	16,230	3,233	19,463
2014	16,984	2,479	19,463
2015	17,773	1,690	19,463
2016	18,600	863	19,463
Totals	<u>\$ 85,096</u>	<u>\$ 12,219</u>	<u>\$ 97,315</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, 2011, 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.”

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor	\$ 18,922
Nonmajor	General	11,535
		<u>\$ 30,457</u>

The amount due to the General Fund represents reimbursements for expenditures paid on behalf of other funds. The amount due to the Nonmajor Funds represents 35% of land use change taxes collected, which is due to the Conservation Commission Fund.

III.C.2. Transfers

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

The following schedule reports transfers within the reporting entity:

	<u>Transfers In:</u>		
	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Transfers out:			
General fund	\$ -	\$ 393,238	\$ 393,238
Nonmajor funds	143,838	2,659	146,497
	<u>\$ 143,838</u>	<u>\$ 395,897</u>	<u>\$ 539,735</u>

The transfers from the General Fund represent \$393,237 to the Capital Projects (Expendable Trust) Fund as voted by Town Meeting, and \$1 to the Recycling Revolving Fund as also voted. The transfers from the Nonmajor Funds represent \$15,000 to the General Fund from the Library Fund for interest, \$65,862 to the General Fund from the Ambulance Fund to close, \$58,965 from the Pay-by-Bag Fund to the General Fund to reimburse for expenditures, \$4,011 to close out miscellaneous Special Revenues and move the balances thereof into the General Fund, and \$2,659 to the Library Fund from the Permanent Funds representing earnings.

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III.D. Net Assets and Fund Balances

III.D.1. *Restatement of Beginning Equity Balances*

The beginning net assets of governmental activities were restated as follow:

To correct accumulated depreciation on capital assets	\$ (2,125)
To correct balance of OPEB liability	17,855
Net assets, as previously reported	26,665,947
Net assets, as restated	<u><u>\$ 26,681,677</u></u>

III.D.2. *Components of Fund Balances*

In accordance with the provisions of GASB Statement No. 54, which became effective for the Town in 2011, fund balance is categorized in the following components:

	General Fund	Nonmajor Fund
Nonspendable:		
Endowments	\$ -	\$ 434,359
Restricted:		
General government	-	340,526
Culture and recreation	-	250,517
Total restricted	<u>-</u>	<u>591,043</u>
Committed:		
General government	-	1,523
Public safety	-	51,049
Sanitation	-	139,800
Welfare	-	25,375
Culture and recreation	-	49,458
Conservation	-	90,593
Capital outlay	257	1,041,804
Total committed	<u>257</u>	<u>1,399,602</u>
Unassigned	581,169	(3,480)
Total fund balance	<u><u>\$ 581,426</u></u>	<u><u>\$ 2,421,524</u></u>

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

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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 2011 for fiscal year 2012 ending June 30, 2012, to be recorded as an insurance expenditure/expense totaled \$71,233. There were no unpaid contributions for the year ending June 30, 2012 and due in 2011. 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 \$64,984 for workers' compensation for the year ended December 31, 2011. 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.

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 member rates of contribution as a percentage of gross earnings were 9.3% for police and fire personnel, and 5% for other employees for the first half of the year. For the remainder of the year, those rates were 11.55% for police, 11.80% for fire and 7% for other employees.

For the period of January 1 to June 30, 2011, the rates of contribution for pension and the medical subsidy from the Town were 14.63% for police and 18.52% for fire, which consisted of

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75% of the total employer cost. The balance of the employer cost for police and fire for this period was paid by the State of New Hampshire. For the month of July 2011, the rates of contribution for the pension and medical subsidy were 25.57% for police, and 30.90% for fire personnel. The rates of contribution from August 1 to the end of the year were 19.95% for police, and 22.89% for fire. These rates for the second half of the year were 100% of the employer cost. The rate of contribution for other employees was 9.16% for the first six months of the year, 11.09% for the month of July, and 8.80% for the last five months, which represented 100% of the total employer cost.

Employer contributions from the Town during the years 2009, 2010 and 2011 were \$194,353, \$214,427 and \$252,747, respectively. The amounts are paid on a monthly basis as due. The amount paid by the State for 2011 was \$20,066. 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. Subsequent Event

On June 26, 2012, the Town's Highway Garage and certain equipment within were damaged and/or destroyed by fire. The Town has insurance coverage on all of these assets, and as of the date of this financial report, is waiting for the insurance settlement, which is expected to mitigate any material loss to the Town.

IV.E. Other Postemployment Benefits

Plan Description

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

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December 31, 2011, there were nine retirees with eight spouses, and thirty-three active employees with twenty-six spouses participating in the plan.

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 2011 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, 2011 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)	\$ 29,050
Interest on Net OPEB Obligation (NOO)	-
Adjustment to ARC	-
Annual OPEB Cost (Expense)	<u>29,050</u>
Age Adjusted Contributions Made	<u>(6,197)</u>
Change in Net OPEB Obligation (NOO)	22,853
Net OPEB Obligation (NOO), beginning	<u>46,453</u>
Net OPEB Obligation (NOO), ending	<u><u>\$ 69,306</u></u>

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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 2011 and the preceding two years (the first years 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	\$ 29,581	\$ 10,969	37.08%	\$ 18,612
12/31/2011	\$ 29,050	\$ 6,197	21.33%	\$ 22,853

Funded Status and Funding Progress

The funded status of the plan as of December 31, 2011, is as follows:

Actuarial Accrued Liability (AAL)	\$ 275,930
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 275,930</u>
 Funded Ratio (Actuarial Value of Plan Assets/AAL)	 0.00%
 Covered Payroll of Active Plan Members	 \$ 1,847,376
 UAAL as a Percentage of Covered Payroll	 14.94%

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 between the employer and plan members to that point. The methods and assumptions used

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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 2011 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, 2011

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 3,277,317	\$ 3,323,816	\$ 46,499
Licenses, permits and fees	966,000	993,189	27,189
Intergovernmental	585,597	537,353	(48,244)
Charges for services	568,717	682,802	114,085
Miscellaneous	113,954	81,738	(32,216)
Total revenues	<u>5,511,585</u>	<u>5,618,898</u>	<u>107,313</u>
EXPENDITURES			
Current:			
General government	1,012,625	964,595	48,030
Public safety	1,457,330	1,441,492	15,838
Highways and streets	1,200,673	1,146,259	54,414
Sanitation	581,825	597,328	(15,503)
Health	14,327	21,414	(7,087)
Welfare	117,937	132,196	(14,259)
Culture and recreation	630,941	621,199	9,742
Conservation	1	-	1
Economic development	2,000	2,000	-
Debt service:			
Principal of long-term debt	458,363	451,342	7,021
Interest on long-term debt	106,789	109,260	(2,471)
Interest on tax anticipation notes	2,000	-	2,000
Capital outlay	109,074	104,258	4,816
Total expenditures	<u>5,693,885</u>	<u>5,591,343</u>	<u>102,542</u>
Deficiency of revenues under expenditures	<u>(182,300)</u>	<u>27,555</u>	<u>209,855</u>
Other financing sources (uses):			
Transfers in	79,925	143,838	63,913
Transfers out	(453,162)	(393,238)	59,924
Total other financing sources and uses	<u>(373,237)</u>	<u>(249,400)</u>	<u>123,837</u>
Net change in fund balance	<u>\$ (555,537)</u>	<u>(221,845)</u>	<u>\$ 333,692</u>
Unassigned fund balance, beginning		1,737,675	
Unassigned fund balance, ending		<u>\$ 1,515,830</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 THE GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
NON-GAAP BUDGETARY BASIS
FOR THE YEAR ENDED
DECEMBER 31, 2011

Reconciliation of General Fund Budgetary Basis to GAAP

Revenues and other financing sources:	
Per Exhibit 9 (budgetary basis)	\$ 5,762,736
Adjustments:	
Basis difference:	
Capital lease inception	85,096
Tax revenue deferred in the prior year	1,021,250
Tax revenue deferred in the current year	(934,661)
On-behalf retirement contribution payments made by the	
State of New Hampshire recognized as revenue on the	
GAAP basis, but not on the budgetary basis	20,066
Per Exhibit 5 (GAAP basis)	<u><u>\$ 5,954,487</u></u>
Expenditures and other financing uses:	
Per Exhibit 9 (budgetary basis)	\$ 5,984,581
Adjustments:	
Basis difference:	
Encumbrances, beginning	42,638
Encumbrances, ending	(257)
Capital lease inception	85,096
On-behalf retirement contribution payments made by the	
State of New Hampshire recognized as an expenditure on the	
GAAP basis, but not on the budgetary basis	20,066
Per Exhibit 5 (GAAP basis)	<u><u>\$ 6,132,124</u></u>
Unassigned fund balance:	
Per Exhibit 9 (budgetary basis)	\$ 1,515,830
Adjustment:	
Basis difference:	
Deferred tax revenue	(934,661)
Per Exhibit 3 (GAAP basis)	<u><u>\$ 581,169</u></u>

EXHIBIT 10
TOWN OF HOPKINTON, NEW HAMPSHIRE
Other Postemployment Benefits
Schedule of Funding Progress
December 31, 2011

<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	\$ -	\$ 286,916	\$ 286,916	0.00%	\$ 1,815,431	15.80%
12/31/2011	\$ -	\$ 275,930	\$ 275,930	0.00%	\$ 1,847,376	14.94%

COMBINING AND INDIVIDUAL FUND SCHEDULES

EXHIBIT 11
TOWN OF HOPKINTON, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2011

	Special Revenue Funds										Capital Projects Fund	Permanent Fund	Total
	Library	Recreation Revolving	Recycling Revolving	Conservation Commission	Pay-by-Bag	Sewer	Senior Center Rental	Drug Forfeiture and Seizure	Public Safety Revolving	Other	Expendable Trust		
ASSETS													
Cash and cash equivalents	\$ 61,279	\$ 54,177	\$ 26,892	\$ 79,058	\$ 98,408	\$ 5,421	\$ 1,523	\$ 12,463	\$ 38,970	\$ 26,050	\$ 60,115	\$ 17,395	\$ 481,751
Investments	12,898	-	-	-	-	-	-	-	-	-	981,689	933,830	1,928,417
Accounts receivable	-	-	-	-	14,500	10,497	-	-	-	-	-	-	24,997
Interfund receivable	-	-	-	11,535	-	-	-	-	-	-	-	-	11,535
Total assets	<u>\$ 74,177</u>	<u>\$ 54,177</u>	<u>\$ 26,892</u>	<u>\$ 90,593</u>	<u>\$ 112,908</u>	<u>\$ 15,918</u>	<u>\$ 1,523</u>	<u>\$ 12,463</u>	<u>\$ 38,970</u>	<u>\$ 26,050</u>	<u>\$ 1,041,804</u>	<u>\$ 951,225</u>	<u>\$ 2,446,700</u>
LIABILITIES AND FUND BALANCES													
Liabilities:													
Accrued salaries and benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 160	\$ -	\$ -	\$ -	\$ 160
Interfund payable	-	4,719	-	-	-	13,304	-	-	224	675	-	-	18,922
Deferred revenue	-	-	-	-	-	6,094	-	-	-	-	-	-	6,094
Total liabilities	<u>-</u>	<u>4,719</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,398</u>	<u>-</u>	<u>-</u>	<u>384</u>	<u>675</u>	<u>-</u>	<u>-</u>	<u>25,176</u>
Fund balances:													
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	434,359	434,359
Restricted	74,177	-	-	-	-	-	-	-	-	-	-	516,866	591,043
Committed	-	49,458	26,892	90,593	112,908	-	1,523	12,463	38,586	25,375	1,041,804	-	1,399,602
Unassigned	-	-	-	-	-	(3,480)	-	-	-	-	-	-	(3,480)
Total fund balances	<u>74,177</u>	<u>49,458</u>	<u>26,892</u>	<u>90,593</u>	<u>112,908</u>	<u>(3,480)</u>	<u>1,523</u>	<u>12,463</u>	<u>38,586</u>	<u>25,375</u>	<u>1,041,804</u>	<u>951,225</u>	<u>2,421,524</u>
Total liabilities and fund balances	<u>\$ 74,177</u>	<u>\$ 54,177</u>	<u>\$ 26,892</u>	<u>\$ 90,593</u>	<u>\$ 112,908</u>	<u>\$ 15,918</u>	<u>\$ 1,523</u>	<u>\$ 12,463</u>	<u>\$ 38,970</u>	<u>\$ 26,050</u>	<u>\$ 1,041,804</u>	<u>\$ 951,225</u>	<u>\$ 2,446,700</u>

EXHIBIT 12
TOWN OF HOPKINTON, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2011

	Special Revenue Funds										Capital Projects Fund	Permanent Fund	Total
	Library	Recreation Revolving	Ambulance	Recycling Revolving	Conservation Commission	Pay-by-Bag	Sewer	Senior Center Rental	Drug Forfeiture and Seizure	Public Safety Revolving	Other	Expendable Trust	
REVENUES													
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 11,535	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,535
Charges for services	-	66,621	-	-	-	113,105	95,828	560	-	91,177	-	-	367,291
Miscellaneous	16,038	153	1	44	79	62	1	1	940	49	20,033	902	98,027
Total revenues	16,038	66,774	1	44	11,614	113,167	95,829	561	940	91,226	20,033	902	476,853
EXPENDITURES													
Current:													
General government	-	-	-	-	-	-	-	-	-	-	-	38,202	53,958
Public safety	-	-	1,520	-	-	-	-	-	-	106,731	-	-	108,251
Sanitation	-	-	-	30,786	-	260	101,915	-	-	-	-	-	132,961
Welfare	-	-	-	-	-	-	-	-	-	-	12,862	-	12,862
Culture and recreation	571	66,106	-	-	-	-	-	-	-	-	1,120	3,100	71,997
Conservation	-	-	-	-	16,990	-	-	-	-	-	-	-	16,990
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	223,256	223,256
Total expenditures	571	66,106	1,520	30,786	16,990	260	101,915	-	-	106,731	13,982	264,558	620,275
Excess (deficiency) of revenues over (under) expenditures	15,467	668	(1,519)	(30,742)	(5,376)	112,907	(6,086)	561	940	(15,505)	6,051	(263,656)	(143,422)
Other financing sources (uses):													
Transfers in	2,659	-	-	1	-	-	-	-	-	-	-	393,237	395,897
Transfers out	(15,000)	-	(65,862)	-	-	(58,965)	-	-	-	-	(4,011)	-	(146,497)
Total other financing sources and uses	(12,341)	-	(65,862)	1	-	(58,965)	-	-	-	-	(4,011)	393,237	249,400
Net change in fund balances	3,126	668	(67,381)	(30,741)	(5,376)	53,942	(6,086)	561	940	(15,505)	2,040	129,581	105,978
Fund balances, beginning	71,051	48,790	67,381	57,633	95,969	58,966	2,606	962	11,523	54,091	23,335	912,223	2,315,546
Fund balances, ending	\$ 74,177	\$ 49,458	\$ -	\$ 26,892	\$ 90,593	\$ 112,908	\$ (3,480)	\$ 1,523	\$ 12,463	\$ 38,586	\$ 25,375	\$ 1,041,804	\$ 2,421,524

EXHIBIT 13
TOWN OF HOPKINTON, NEW HAMPSHIRE
General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2011

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 3,040,445	\$ 3,041,764	\$ 1,319
Land use	25,000	21,423	(3,577)
Timber	15,000	26,517	11,517
Excavation	-	18	18
Payments in lieu of taxes	91,872	92,350	478
Interest and penalties on delinquent taxes	105,000	141,744	36,744
Total taxes	<u>3,277,317</u>	<u>3,323,816</u>	<u>46,499</u>
Licenses, permits and fees:			
Business licenses and permits	1,000	1,365	365
Motor vehicle permits	935,000	938,795	3,795
Building permits	10,000	29,088	19,088
Other	20,000	23,941	3,941
Total licenses, permits and fees	<u>966,000</u>	<u>993,189</u>	<u>27,189</u>
Intergovernmental:			
State sources:			
Meals and rooms distributions	249,648	249,648	-
Highway block grant	192,083	192,083	-
State and federal forest land	735	735	-
Flood control reimbursement	59,798	59,955	157
Landfill grant	23,796	23,796	-
Other	-	11,136	11,136
Federal	59,537	-	(59,537)
Total intergovernmental	<u>585,597</u>	<u>537,353</u>	<u>(48,244)</u>
Charges for services:			
Income from departments	<u>568,717</u>	<u>682,802</u>	<u>114,085</u>
Miscellaneous:			
Sale of property	2,000	2,500	500
Interest on investments	8,000	4,251	(3,749)
Rent of property	-	6,820	6,820
Fines and forfeits	-	285	285
Insurance dividends and reimbursements	-	28,635	28,635
Other	103,954	39,247	(64,707)
Total miscellaneous	<u>113,954</u>	<u>81,738</u>	<u>(32,216)</u>
Other financing sources:			
Transfers in:			
Nonmajor funds	<u>79,925</u>	<u>143,838</u>	<u>63,913</u>
Total revenues and other financing sources	5,591,510	<u>\$ 5,762,736</u>	<u>\$ 171,226</u>
Use of fund balance to reduce taxes	555,537		
Total revenues, other financing sources and use of fund balance	<u>\$ 6,147,047</u>		

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, 2011

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 226,055	\$ 231,534	\$ -	\$ (5,479)
Election and registration	-	260,297	231,221	-	29,076
Financial administration	-	119,207	120,220	-	(1,013)
Revaluation of property	-	57,800	52,333	-	5,467
Legal	-	28,500	14,380	-	14,120
Personnel administration	-	22,500	20,378	-	2,122
Planning and zoning	-	116,713	110,686	-	6,027
Cemeteries	-	43,524	44,267	-	(743)
Insurance, not otherwise allocated	-	138,029	139,576	-	(1,547)
Total general government	-	1,012,625	964,595	-	48,030
Public safety:					
Police	-	677,504	649,715	-	27,789
Ambulance	-	539,713	555,713	-	(16,000)
Fire	-	240,112	236,064	-	4,048
Emergency management	-	1	-	-	1
Total public safety	-	1,457,330	1,441,492	-	15,838
Highways and streets:					
Administration	-	566,873	545,687	-	21,186
Highways and streets	-	632,000	598,774	-	33,226
Street lighting	-	1,800	1,798	-	2
Total highways and streets	-	1,200,673	1,146,259	-	54,414
Sanitation:					
Transfer station	-	534,325	543,221	-	(8,896)
Solid waste clean-up	-	47,500	53,860	-	(6,360)
Sewage collection and disposal	-	-	247	-	(247)
Total sanitation	-	581,825	597,328	-	(15,503)
Health:					
Pest control	-	-	7,087	-	(7,087)
Health agencies and hospitals	-	14,327	14,327	-	-
Total health	-	14,327	21,414	-	(7,087)
Welfare:					
Administration	-	65,687	71,544	-	(5,857)
Vendor payments	-	52,250	60,652	-	(8,402)
Total welfare	-	117,937	132,196	-	(14,259)
Culture and recreation:					
Parks and recreation	-	346,926	338,663	-	8,263
Public library	-	281,265	279,486	-	1,779
Patriotic purposes	-	2,750	3,050	-	(300)
Total culture and recreation	-	630,941	621,199	-	9,742
Conservation	-	1	-	-	1
Economic development	-	2,000	2,000	-	-

continued

EXHIBIT 14 (continued)
TOWN OF HOPKINTON, NEW HAMPSHIRE
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2011

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal of long-term debt	-	458,363	451,342	-	7,021
Interest on long-term debt	-	106,789	109,260	-	(2,471)
Interest on tax anticipation notes	-	2,000	-	-	2,000
Total debt service	-	567,152	560,602	-	6,550
Capital outlay:					
Machinery, vehicles and equipment	-	109,074	104,258	-	4,816
Improvements other than buildings	42,638	-	42,381	257	-
Total capital outlay	42,638	109,074	146,639	257	4,816
Other financing uses:					
Transfers out:					
Nonmajor funds	-	453,162	393,238	-	59,924
Total encumbrances, appropriations, expenditures and other financing uses	\$ 42,638	\$ 6,147,047	\$ 6,026,962	\$ 257	\$ 162,466

EXHIBIT 15
TOWN OF HOPKINTON, NEW HAMPSHIRE
General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2011

Unassigned fund balance, beginning		\$ 1,737,675
Changes:		
Unassigned fund balance used to reduce tax rate		(555,537)
Budget summary:		
Revenue surplus (Exhibit 13)	\$ 171,226	
Unexpended balance of appropriations (Exhibit 14)	<u>162,466</u>	
Budget surplus		<u>333,692</u>
Unassigned fund balance, ending		<u><u>\$ 1,515,830</u></u>



Roberts & Greene, PLLC

LETTER TO MANAGEMENT

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

Dear Members of the Board:

In planning and performing our audit of the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Town of Hopkinton as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Hopkinton's internal control.

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

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

Sewer Fund Reporting

The Sewer Fund ended the year with a deficit of \$3,480. This deficit was undetected during the year because of the way in which expenditures of the Fund were being recorded and reported internally. The process in place has been to record Sewer Fund expenditures in the General Fund when paid from the general operating account, then reimburse the operating account from the Sewer Fund, and record the expenditures in the Sewer Fund when the reimbursing checks are paid. Although this process does work, it creates timing differences when the reimbursements are not made at the same time as the expenditures. We determined as part of the audit process that the Sewer expenditures for December had not been reimbursed by year-end, and therefore, had not been recorded in the Sewer Fund. This makes it very difficult for management to make decisions regarding rate structure when there is no up-to-date report available for review.

We recommend that all sewer expenditures be posted in the Sewer Fund when incurred, with an offsetting interfund payable recorded to show the amount that needs to be reimbursed to the general operating account. When reimbursements are made, they should be posted to the interfund accounts,

and not affect expenditures in the Sewer Fund. Likewise, the portion of the annual budget belonging to the Sewer Fund should be recorded in the Sewer Fund and not in the General Fund. This way, a balance sheet and revenue and expenditure report can be produced monthly for the Sewer Fund, which should present the full picture of the Fund's position, and can be used when making management decisions.

Treasurer's Duties and Bookkeeping

We noted that the Town Treasurer also performs some of the bookkeeping tasks in the Finance Office. Although this is sometimes an efficient way to operate, and we have found no problems with the system, we caution management to remember that one of the strongest internal controls in most small towns with limited staffing, is the segregation of duties that arises from an independent treasurer with a separate set of books, not having access to the Town's general ledger system. The Treasurer serves in a valuable role with her knowledge of all of the different cash accounts, but in order to maintain strong controls, all entries to the system should be made by the Finance Director.

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.

July 30, 2012

Roberts & Greene, PLLC