

# TOWN OF HOPKINTON, NEW HAMPSHIRE

## FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2013

**TOWN OF HOPKINTON, NEW HAMPSHIRE  
FINANCIAL REPORT  
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DECEMBER 31, 2013**

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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, each major fund, and the aggregate remaining fund information of the Town of Hopkinton, as of and for the year ended December 31, 2013, which collectively comprise the Town's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Hopkinton, as of December 31, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedule of funding progress for other postemployment benefits on pages 29 - 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Hopkinton. The combining nonmajor and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. They are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor and individual fund schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

June 18, 2014

*Robert & Heene, PLLC*

## **BASIC FINANCIAL STATEMENTS**

**EXHIBIT 1**  
**TOWN OF HOPKINTON, NEW HAMPSHIRE**  
**Statement of Net Position**  
**December 31, 2013**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 7,491,038
Investments	1,599,784
Receivables, net of allowance for uncollectibles	1,612,900
Prepaid items	35,894
Capital assets, not being depreciated:	
Land	8,410,469
Construction in progress	71,940
Capital assets, net of accumulated depreciation:	
Land improvements	491,376
Buildings and building improvements	3,963,165
Machinery, vehicles and equipment	1,527,890
Infrastructure	8,523,703
Intangibles	192,300
Total assets	<u>33,920,459</u>
<b>LIABILITIES</b>	
Accounts payable	56,084
Accrued payroll and benefits	112,219
Accrued interest payable	27,237
Intergovernmental payable	6,798,631
Noncurrent obligations:	
Due within one year:	
Bonds and notes payable	270,309
Capital leases payable	16,984
Accrued landfill postclosure care costs	21,000
Due in more than one year:	
Bonds and notes payable	1,849,123
Capital leases payable	36,373
Compensated absences	186,118
Other post-employment benefits payable	114,673
Accrued landfill postclosure care costs	273,000
Total liabilities	<u>9,761,751</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unearned revenue	<u>12,167</u>
<b>NET POSITION</b>	
Net investment in capital assets	21,461,668
Restricted for:	
Perpetual care:	
Nonexpendable	362,117
Expendable	424,663
Other purposes	363,045
Unrestricted	1,535,048
Total net position	<u>\$ 24,146,541</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, 2013**

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 1,046,288	\$ 12,094	\$ 103,052	\$ -	\$ (931,142)
Public safety	1,780,958	448,111	-	-	(1,332,847)
Highways and streets	2,638,382	-	-	162,182	(2,476,200)
Sanitation	701,469	557,239	-	-	(144,230)
Health	19,560	-	-	-	(19,560)
Welfare	140,613	-	-	-	(140,613)
Culture and recreation	804,056	95,814	42,294	-	(665,948)
Conservation	17,530	-	-	-	(17,530)
Interest on long-term debt	71,806	-	-	-	(71,806)
Capital outlay	43,323	-	-	-	(43,323)
Total governmental activities	<u>\$ 7,263,985</u>	<u>\$ 1,113,258</u>	<u>\$ 145,346</u>	<u>\$ 162,182</u>	<u>(5,843,199)</u>
General revenues:					
Property taxes					2,986,583
Other taxes					289,346
Licenses and permits					1,020,173
Grants and contributions not restricted to specific programs					527,787
Miscellaneous					424,284
Total general revenues					<u>5,248,173</u>
Change in net position					(595,026)
Net position, beginning, as restated, see Note III.D.1.					24,741,567
Net position, ending					<u>\$ 24,146,541</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, 2013**

	General	Permanent	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,893,476	\$ 39,195	\$ 558,367	\$ 7,491,038
Investments	-	1,110,630	489,154	1,599,784
Receivables, net of allowances for uncollectibles:				
Taxes	1,208,458	-	-	1,208,458
Accounts	145,929	-	22,008	167,937
Interfund receivable	39,134	-	8,782	47,916
Prepaid items	85,894	-	-	85,894
Total assets	<u>\$ 8,372,891</u>	<u>\$ 1,149,825</u>	<u>\$ 1,078,311</u>	<u>\$ 10,601,027</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 55,439	\$ -	\$ 645	\$ 56,084
Accrued salaries and benefits	110,233	-	1,986	112,219
Intergovernmental payable	6,798,631	-	-	6,798,631
Interfund payable	8,782	-	39,134	47,916
Total liabilities	<u>6,973,085</u>	<u>-</u>	<u>41,765</u>	<u>7,014,850</u>
Deferred inflows of resources:				
Deferred revenue	<u>893,563</u>	<u>-</u>	<u>9,730</u>	<u>903,293</u>
Fund balances:				
Nonspendable	85,894	511,609	-	597,503
Restricted	-	638,216	74,511	712,727
Committed	-	-	976,016	976,016
Unassigned	420,349	-	(23,711)	396,638
Total fund balances	<u>506,243</u>	<u>1,149,825</u>	<u>1,026,816</u>	<u>2,682,884</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,372,891</u>	<u>\$ 1,149,825</u>	<u>\$ 1,078,311</u>	<u>\$ 10,601,027</u>

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



**EXHIBIT 4**  
**TOWN OF HOPKINTON, NEW HAMPSHIRE**  
**Reconciliation of Total Fund Balances of Governmental Funds to the Statement of Net Position**  
**December 31, 2013**

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Total fund balances of governmental funds (Exhibit 3)		\$ 2,682,884
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost	\$ 59,586,659	
Less accumulated depreciation	<u>(36,405,816)</u>	
		23,180,843
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	\$ (47,916)	
Payables	<u>47,916</u>	
		-
Long-term revenues are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Deferred tax revenue	\$ 798,051	
Deferred ambulance revenues	30,990	
Deferred landfill charges	18,275	
Deferred sewer charges	9,730	
Deferred payments in lieu of taxes	34,080	
Unavailable elderly and welfare liens	<u>236,505</u>	
		1,127,631
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(27,237)
Prepayments of long-term debt in governmental funds are recorded as assets, but reduce the long-term liability of governmental activities.		
Prepayment of long-term note principal		(50,000)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes outstanding	\$ 2,119,432	
Capital leases outstanding	53,357	
Compensated absences payable	186,118	
Other postemployment benefits payable	114,673	
Accrued landfill postclosure care costs	<u>294,000</u>	
		<u>(2,767,580)</u>
Total net position of governmental activities (Exhibit 1)		<u>\$ 24,146,541</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, 2013**

	General	Permanent	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 3,261,276	\$ -	\$ 7,420	\$ 3,268,696
Licenses, permits and fees	1,020,173	-	-	1,020,173
Intergovernmental	689,969	-	-	689,969
Charges for services	697,043	-	378,401	1,075,444
Miscellaneous	334,053	145,204	90,751	570,008
Total revenues	<u>6,002,514</u>	<u>145,204</u>	<u>476,572</u>	<u>6,624,290</u>
Expenditures:				
Current:				
General government	978,493	7,545	20,614	1,006,652
Public safety	1,555,400	-	559,944	2,115,344
Highways and streets	1,235,746	-	152,025	1,387,771
Sanitation	587,639	-	141,244	728,883
Health	19,560	-	-	19,560
Welfare	124,729	-	16,973	141,702
Culture and recreation	629,526	4,090	104,451	738,067
Conservation	-	-	17,530	17,530
Debt service:				
Principal	402,089	-	-	402,089
Interest	80,550	-	-	80,550
Capital outlay	<u>1,495,814</u>	<u>-</u>	<u>-</u>	<u>1,495,814</u>
Total expenditures	<u>7,109,546</u>	<u>11,635</u>	<u>1,012,781</u>	<u>8,133,962</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,107,032)</u>	<u>133,569</u>	<u>(536,209)</u>	<u>(1,509,672)</u>
Other financing sources (uses):				
Transfers in	365,565	-	435,435	801,000
Transfers out	(433,000)	(2,435)	(365,565)	(801,000)
Long-term debt issued	<u>530,566</u>	<u>-</u>	<u>-</u>	<u>530,566</u>
Total other financing sources and uses	<u>463,131</u>	<u>(2,435)</u>	<u>69,870</u>	<u>530,566</u>
Net change in fund balances	(643,901)	131,134	(466,339)	(979,106)
Fund balances, beginning, as restated, see Note III.D.1.	<u>1,150,144</u>	<u>1,018,691</u>	<u>1,493,155</u>	<u>3,661,990</u>
Fund balances, ending	<u>\$ 506,243</u>	<u>\$ 1,149,825</u>	<u>\$ 1,026,816</u>	<u>\$ 2,682,884</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, 2013**

Net change in fund balances of governmental funds (Exhibit 5)			\$ (979,106)
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 capitalized capital outlay exceeded depreciation expense in the current period.			
Capitalized capital outlay	\$ 2,504,712		
Depreciation expense	<u>(1,989,695)</u>		
		515,017	
The net effect of the disposal of capital assets is to decrease net position.			
Net disposal of capital assets			(81,295)
Transfers in and out between governmental funds are eliminated on the operating statement.			
Transfers in	\$ (801,000)		
Transfers out	<u>801,000</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	\$ (17,408)		
Change in deferred sewer charges	2,198		
Change in deferred ambulance fees	30,990		
Change in deferred grant revenue	(26,992)		
Change in deferred payments in lieu of taxes	7,032		
Change in deferred landfill charges	18,275		
Change in allowance for unavailable liens	<u>30,574</u>		
		44,669	
Prepaid assets in governmental funds resulting from early payment of long-term debt are applied against the outstanding liability in governmental activities.			
Change in prepaid debt principal			(50,000)
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 position.			
Issuance of note	\$ (530,737)		
Repayment of bond and note principal	452,089		
Repayment of capital lease principal	<u>16,230</u>		
		(62,418)	
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	\$ 8,915		
Increase in compensated absences payable	(49,419)		
Increase in other postemployment benefits payable	(22,389)		
Decrease in accrued landfill postclosure care costs	<u>81,000</u>		
		18,107	
Change in net position of governmental activities (Exhibit 2)			<u>\$ (595,026)</u>

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

**EXHIBIT 7**  
**TOWN OF HOPKINTON, NEW HAMPSHIRE**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**December 31, 2013**

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	Private Purpose Trust	Agency
Assets:		
Cash and cash equivalents	\$ 17,019	\$ 238,372
Investments	<u>482,446</u>	<u>222,217</u>
Total assets	<u>499,465</u>	<u>460,589</u>
Liabilities:		
Due to other governmental units	-	455,595
Due to developers	<u>-</u>	<u>4,993</u>
Total liabilities	<u>-</u>	<u>460,589</u>
Net position:		
Held in trust for specific purposes	<u>\$ 499,465</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 Position**  
**Fiduciary Funds**  
**For the Year Ended December 31, 2013**

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	Private Purpose Trust
Additions:	
New funds	\$ 7,550
Investment earnings:	
Interest and dividends	16,377
Net capital gains	40,406
Net change in fair value of investments	26,694
Total additions	<u>91,027</u>
Deductions:	
Trust distributions	<u>18,484</u>
Change in net position	72,543
Net position, beginning, as restated, see Note III.D.1.	<u>426,922</u>
Net position, ending	<u><u>\$ 499,465</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, 2013**

**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, 2013.

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

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

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

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

*Government-Wide Financial Statements*

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

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

**TOWN OF HOPKINTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013**

*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 funds are 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, 2013**

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

*Governmental Funds*

The Town reports the following major governmental funds:

*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.

*Permanent Fund* – This fund is used to report those amounts held by the trustees of trust funds in which principal must be retained intact, while income is used to support Town programs.

The Town also reports eleven nonmajor governmental funds.

*Fiduciary Funds*

The Town reports the following fiduciary funds:

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

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

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

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

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

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

**TOWN OF HOPKINTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013**

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.

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

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

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

The governmental funds report the following components of fund balance:

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

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

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

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**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 2013, \$458,500 of the fund balance from 2012 was used.

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

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

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

**III.A. Assets**

**III.A.1. Investments**

As of December 31, 2013, the Town had the following investments:

Certificates of Deposit	\$ 10,472
Equity Funds	13,363
Fixed Income Funds	8,992
iShares	37,152
Common Stock	898,387
Preferred Stock	105,750
Corporate Bonds	529,432
New Hampshire Public Deposit Investment Pool	700,899
	<u>\$ 2,304,447</u>

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The investments appear in the financial statements as follow:

Governmental funds - balance sheet (Exhibit 3)	\$ 1,599,784
Fiduciary funds - statement of fiduciary net position (Exhibit 7)	704,663
Total	<u>\$ 2,304,447</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 2012 property taxes on April 24.

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, 2013, upon which the 2013 property tax levy was based was:

For the New Hampshire education tax	\$633,396,705
For all other taxes	\$656,272,605

The tax rates and amounts assessed for the year ended December 31, 2013 were as follow:

	Per \$1,000 of Assessed Valuation	
Municipal portion	\$5.10	\$ 3,341,679
School portion:		
State of New Hampshire	\$2.44	1,546,201
Local	\$18.53	12,163,635
County portion	\$2.67	1,753,942
Precinct portion:		
Contoocook Village	\$1.22	175,553
Hopkinton Village	\$0.48	19,203
Total property taxes assessed		<u>\$ 19,000,213</u>

The following details the taxes receivable at year-end:

Property:	
Levy of 2013	\$ 1,000,516
Levy of 2012	4,620
Unredeemed (under tax lien):	
Levy of 2012	150,513
Levy of 2011	62,169
Levy of 2010	31,680
Levy of 2009	10,393
Levy of 2008	2,451
Levy of 2007	1,786
Levy of 2006	1,041
Land use change	15,600
Timber	5,689
Less: allowance for estimated uncollectible taxes	(78,000)
Net taxes receivable	<u>\$ 1,208,458</u>

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*Other Receivables and Uncollectible/Unavailable Accounts*

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

Related amounts are shown in the following table:

Accounts	\$ 177,937
Liens	236,505
Less: allowance for uncollectible amounts	<u>(246,505)</u>
Net total receivables	<u><u>\$ 167,937</u></u>

*Deferred Revenue*

Deferred revenue in the governmental funds consists of \$798,051 of taxes, \$9,730 of sewer charges, \$34,080 of payments in lieu of taxes, \$30,990 of ambulance fees, and \$18,275 of transfer station revenue deferred because they were not received within sixty days of year-end; and \$11,801 of prepayments of taxes and \$366 of prepayments of transfer station fees. In the governmental activities, the prepayments totaling \$12,167 are reported as unearned.

*The notes continue on the following page.*

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**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	Additions	Deletions	Balance, ending
Governmental activities:				
At cost:				
Not being depreciated:				
Land	\$ 8,410,469	\$ -	\$ -	\$ 8,410,469
Construction in progress	25,719	71,940	(25,719)	71,940
Total capital assets not being depreciated	<u>8,436,188</u>	<u>71,940</u>	<u>(25,719)</u>	<u>8,482,409</u>
Being depreciated:				
Land improvements	1,147,328	55,575	-	1,202,903
Buildings and building improvements	4,221,220	1,397,104	-	5,618,324
Machinery, vehicles and equipment	3,563,278	640,337	(213,535)	3,990,080
Infrastructure	39,816,463	339,756	(55,576)	40,100,643
Intangibles	192,300	-	-	192,300
Total capital assets being depreciated	<u>48,940,589</u>	<u>2,432,772</u>	<u>(269,111)</u>	<u>51,104,250</u>
Total all capital assets	<u>57,376,777</u>	<u>2,504,712</u>	<u>(294,830)</u>	<u>59,586,659</u>
Less accumulated depreciation:				
Land improvements	(659,529)	(51,998)	-	(711,527)
Buildings and building improvements	(1,558,208)	(96,951)	-	(1,655,159)
Machinery, vehicles and equipment	(2,419,919)	(255,806)	213,535	(2,462,190)
Infrastructure	(29,992,000)	(1,584,940)	-	(31,576,940)
Total accumulated depreciation	<u>(34,629,656)</u>	<u>(1,989,695)</u>	<u>213,535</u>	<u>(36,405,816)</u>
Net book value, capital assets being depreciated	<u>14,310,933</u>	<u>443,077</u>	<u>(55,576)</u>	<u>14,698,434</u>
Net book value, all capital assets	<u>\$ 22,747,121</u>	<u>\$ 515,017</u>	<u>\$ (81,295)</u>	<u>\$ 23,180,843</u>

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

Governmental activities:	
General government	\$ 2,623
Public safety	114,140
Highways and streets	1,744,447
Sanitation	62,142
Culture and recreation	66,343
Total depreciation expense	<u>\$ 1,989,695</u>

**III.A.4. Restricted Net Position**

The government-wide statement of net position includes restricted net position of \$786,780 for perpetual care and \$363,045 for library and welfare representing public trust funds reported as restricted to reflect purpose restrictions contained in trust indentures.



**TOWN OF HOPKINTON, NEW HAMPSHIRE**  
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**III.B. Liabilities**

**III.B.1 Intergovernmental Payable**

The amount due to other governments at December 31, 2013 consists of the balance of the 2013-2014 district assessment due to the Hopkinton School District in the amount of \$6,798,631.

**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, the OPEB liability and accrued landfill postclosure care costs.

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 fourteen years, the length of time monitoring is expected to continue. The actual cost of postclosure care could be higher or lower.

Long-term liabilities currently outstanding are as follow:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at 12/31/2013	Current Portion
General obligation bonds/notes payable:						
Landfill closure	\$ 1,859,384	1998	2017	4.21	\$ 503,609	\$ 118,214
Open space (Beyer/Carson/Rollins)	\$ 761,500	2004	2020	4.31	300,000	-
Open space (Rice)	\$ 467,900	2005	2025	4.00	270,000	25,000
Open space (Ransmeier)	\$ 368,250	2006	2019	4.39	99,115	18,413
Open space (Myron)	\$ 279,837	2007	2020	3.97	171,142	20,625
Community well	\$ 350,000	2010	2020	3.20	245,000	35,000
Highway garage	\$ 530,566	2013	2023	2.21	530,566	53,057
					<u>2,119,432</u>	<u>270,309</u>
Capital lease payable:						
Loader/backhoe	\$ 85,096	2011	2016	4.55	53,357	16,984
Compensated absences payable					<u>186,118</u>	<u>-</u>
OPEB liability					<u>114,673</u>	<u>-</u>
Accrued landfill postclosure care costs					<u>294,000</u>	<u>21,000</u>
					<u>\$ 2,767,580</u>	<u>\$ 308,293</u>

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*Changes in Long-Term Liabilities*

The following is a summary of changes in governmental activities' long-term liabilities for the year ended December 31, 2013:

	General Obligation Bonds and Notes Payable	Capital Leases Payable	Compensated Absences Payable	OPEB Liability	Accrued Landfill Postclosure Care Costs	Total
Balance, beginning	\$ 2,040,784	\$ 69,587	\$ 136,699	\$ 92,284	\$ 375,000	\$ 2,714,354
Additions	530,737	-	49,419	22,389	-	602,545
Reductions	(452,089)	(16,230)	-	-	(81,000)	(549,319)
Balance, ending	<u>\$ 2,119,432</u>	<u>\$ 53,357</u>	<u>\$ 186,118</u>	<u>\$ 114,673</u>	<u>\$ 294,000</u>	<u>\$ 2,767,580</u>

*Debt Service Requirements to Maturity*

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

Fiscal Year Ending December 31,	Principal	Interest	Total
2014	\$ 270,309	\$ 60,608	\$ 330,917
2015	326,127	61,743	387,870
2016	332,188	49,080	381,268
2017	338,504	36,406	374,910
2018	205,638	26,376	232,014
2019-2023	606,666	46,888	653,554
2024-2025	40,000	2,040	42,040
Totals	<u>\$ 2,119,432</u>	<u>\$ 283,141</u>	<u>\$ 2,402,573</u>

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

Fiscal Year Ending December 31,	Principal	Interest	Total
2014	\$ 16,984	\$ 2,479	\$ 19,463
2015	17,773	1,690	19,463
2016	18,600	863	19,463
Totals	<u>\$ 53,357</u>	<u>\$ 5,032</u>	<u>\$ 58,389</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, 2013, five bonds totaling \$2,037,486 have been issued of this authorization, leaving \$2,962,514 still unissued.

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**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:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor	\$ 39,134
Nonmajor	General	8,782
		<u>\$ 47,916</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 from the General Fund represents revenue deposited into the General Fund account to be transferred.

**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	\$ -	\$ 433,000	\$ 433,000
Permanent Fund	-	2,435	2,435
Nonmajor Funds	365,565	-	365,565
	<u>\$ 365,565</u>	<u>\$ 435,435</u>	<u>\$ 801,000</u>

The transfers from the General Fund represent \$433,000 to the Expendable Trust Fund as voted by Town Meeting. The transfers from the Nonmajor Funds represent \$15,000 to the General Fund from the Library Fund for interest, \$280,608 from the Expendable Trust Fund for a discontinued capital reserve fund, and \$69,957 from the Pay-by-Bag Fund to the General Fund

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as voted. The transfer from the Permanent Fund of \$2,435 represents earnings on library trust funds paid to the Library Fund.

**III.D. Net Position and Fund Balances**

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

The beginning equity balances were restated as follow:

	Governmental Activities	Permanent Fund	Private Purpose Trust Fund
To reclassify fund as permanent fund	\$ 9,826	\$ 9,826	\$ (9,826)
Net position/fund balance, as previously reported	24,731,741	1,008,865	436,748
Net position/fund balance, as restated	<u>\$ 24,741,567</u>	<u>\$ 1,018,691</u>	<u>\$ 426,922</u>

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

Fund balance is categorized in the following components:

	General Fund	Permanent Fund	Nonmajor Funds
Nonspendable:			
Endowments	\$ -	\$ 511,609	\$ -
Prepaid items	85,894	-	-
Total nonspendable	<u>85,894</u>	<u>511,609</u>	<u>-</u>
Restricted:			
General government	-	424,663	-
Culture and recreation	-	213,553	74,511
Total restricted	<u>-</u>	<u>638,216</u>	<u>74,511</u>
Committed:			
General government	-	-	60,970
Public safety	-	-	80,906
Sanitation	-	-	142,038
Conservation	-	-	87,884
Culture and recreation	-	-	50,580
Capital outlay	-	-	553,638
Total committed	<u>-</u>	<u>-</u>	<u>976,016</u>
Unassigned	420,349	-	(23,711)
Total fund balance	<u>\$ 506,243</u>	<u>\$ 1,149,825</u>	<u>\$ 1,026,816</u>

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**IV. Other Information**

**IV.A. Risk Management**

The Town's risk management activities are reported with governmental activities and recorded in the General Fund. During the fiscal year, the Town was a member of the NH Public Risk Management Exchange (Primex), which is considered a public entity risk pool, currently operating as a common risk management and insurance program for member governmental entities.

Primex's Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSA 5-B and RSA 281-A. Coverage is provided for the calendar year. Primex retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss and \$200,000 of each property loss. The Primex board has self-insured the aggregate exposure and has allocated funds for this purpose. Contributions billed for 2013 to be recorded as an insurance expenditure/expense totaled \$64,477 for property/liability and \$59,759 for workers' compensation. There is a refund due to the Town for workers' compensation in the amount of \$28,263. The member agreement permits Primex to make additional assessments to members should there be a deficiency in trust assets to meet its liabilities. At this time, Primex foresees no likelihood of any additional assessments for past years.

**IV.B. Retirement Pensions**

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

Both the members and the Town make contributions to the NHRS. Member rates of contribution are set by the Legislature. Employer rates are determined by the NHRS trustees based on an actuarial valuation. The rates of contribution for police officers, firefighters and other employees were 11.55%, 11.80% and 7.0%, respectively. The rates of contribution for pension and the medical subsidy by the Town of Hopkinton were 19.95% for police, 22.89% for fire personnel, and 8.80% for other employees for the first six months of 2013. Effective July 1, those rates increased to 25.30% for police, 27.74% for fire personnel, and 10.77% for other employees. Employer contributions from the Town during the years 2011, 2012, and 2013 were \$252,747, \$260,129, and \$303,542 respectively. The amounts are paid on a monthly basis as due.

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**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, 2013, there were nine retirees with eight spouses, and thirty-two active employees with twenty-five 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 2013 was 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.

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The Town's annual OPEB cost for the year ended December 31, 2013 including the amount actually contributed to the plan and the change in the Town's net OPEB obligation are as follows:

Annual Required Contribution (ARC)	\$ 28,646
Interest on Net OPEB Obligation (NOO)	-
Adjustment to ARC	-
Annual OPEB Cost (Expense)	<u>28,646</u>
Age Adjusted Contributions Made	<u>(6,257)</u>
Change in Net OPEB Obligation (NOO)	22,389
Net OPEB Obligation (NOO), beginning	<u>92,284</u>
Net OPEB Obligation (NOO), ending	<u><u>\$ 114,673</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year 2013 and the preceding four 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
12/31/2012	\$ 29,050	\$ 6,072	20.90%	\$ 22,978
12/31/2013	\$ 28,646	\$ 6,257	21.84%	\$ 22,389

*Funded Status and Funding Progress*

The funded status of the plan as of December 31, 2013, is as follows:

Accrued Liability (AL)	\$ 274,514
Value of Plan Assets	-
Unfunded Accrued Liability (UAL)	<u><u>\$ 274,514</u></u>
Funded Ratio (Value of Plan Assets/AL)	0.00%
Covered Payroll of Active Plan Members	\$ 1,938,595
UAL as a Percentage of Covered Payroll	14.16%

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**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013**

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

*Methods and Assumptions*

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

The following simplifying assumptions were made:

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

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

*Health insurance premiums* – The health insurance premiums for retirees in 2013 were used as the basis for calculation of the present value of total benefits to be paid.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**EXHIBIT 9**  
**TOWN OF HOPKINTON, NEW HAMPSHIRE**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in**  
**Unassigned Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)**  
**For the Year Ended December 31, 2013**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 3,331,437	\$ 3,255,669	\$ (75,768)
Licenses, permits and fees	956,649	1,020,173	63,524
Intergovernmental	653,454	689,969	36,515
Charges for services	647,650	697,043	49,393
Miscellaneous	931,934	334,053	(597,881)
Total revenues	<u>6,521,124</u>	<u>5,996,907</u>	<u>(524,217)</u>
<b>EXPENDITURES</b>			
Current:			
General government	1,036,599	978,493	58,106
Public safety	1,631,962	1,554,078	77,884
Highways and streets	1,205,156	1,235,746	(30,590)
Sanitation	687,091	587,639	99,452
Health	14,327	19,560	(5,233)
Welfare	123,945	124,729	(784)
Culture and recreation	656,539	629,526	27,013
Conservation	1	-	1
Economic development	2,000	-	2,000
Debt service:			
Principal	401,919	402,089	(170)
Interest on long-term debt	83,729	80,550	3,179
Interest on tax anticipation note	2,000	-	2,000
Capital outlay	<u>1,325,000</u>	<u>1,495,814</u>	<u>(170,814)</u>
Total expenditures	<u>7,170,268</u>	<u>7,108,224</u>	<u>62,044</u>
Deficiency of revenues under expenditures	<u>(649,144)</u>	<u>(1,111,317)</u>	<u>(462,173)</u>
Other financing sources (uses):			
Transfers in	93,078	365,565	272,487
Transfers out	(433,000)	(433,000)	-
Long-term debt issued	<u>530,566</u>	<u>530,566</u>	<u>-</u>
Total other financing sources and uses	<u>190,644</u>	<u>463,131</u>	<u>272,487</u>
Net change in fund balance	<u>\$ (458,500)</u>	(648,186)	<u>\$ (189,686)</u>
Increase in nonspendable fund balance		(58,766)	
Decrease in committed fund balance		623,626	
Unassigned fund balance, beginning		<u>1,313,527</u>	
Unassigned fund balance, ending		<u>\$ 1,230,201</u>	

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

**TOWN OF HOPKINTON, NEW HAMPSHIRE**  
**NOTE TO THE GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN UNASSIGNED FUND BALANCE – BUDGET AND ACTUAL**  
**NON-GAAP BUDGETARY BASIS**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2013**

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

Revenues and other financing sources:	
Per Exhibit 9 (budgetary basis)	\$ 6,893,038
Adjustments:	
Basis difference:	
Tax revenue deferred in the prior year	815,459
Tax revenue deferred in the current year	(809,852)
Per Exhibit 5 (GAAP basis)	<u>\$ 6,898,645</u>
Expenditures and other financing uses:	
Per Exhibit 9 (budgetary basis)	\$ 7,541,224
Adjustment:	
Basis difference:	
Encumbrances, beginning	1,322
Per Exhibit 5 (GAAP basis)	<u>\$ 7,542,546</u>
Fund balances:	
Per Exhibit 9 (budgetary basis)	\$ 1,230,201
Adjustment:	
Basis difference:	
Deferred tax revenue, GAAP basis	(809,852)
Per Exhibit 3 (GAAP basis)	<u>\$ 420,349</u>

**EXHIBIT 10**  
**TOWN OF HOPKINTON, NEW HAMPSHIRE**  
**Other Postemployment Benefits**  
**Schedule of Funding Progress**  
**December 31, 2013**

Valuation Date	Value of Assets	Accrued Liability	Unfunded Accrued Liability	Funded Ratio	Covered Payroll	UAL as a Percentage of Covered Payroll
01/01/2009	\$ -	\$404,661	\$404,661	0.00%	\$1,727,557	23.42%
12/31/2010	\$ -	\$286,916	\$286,916	0.00%	\$1,815,431	15.80%
12/31/2011	\$ -	\$275,930	\$275,930	0.00%	\$1,847,376	14.94%
12/31/2012	\$ -	\$278,391	\$278,391	0.00%	\$1,849,035	15.06%
12/31/2013	\$ -	\$274,514	\$274,514	0.00%	\$1,938,595	14.16%

## **COMBINING AND INDIVIDUAL FUND SCHEDULES**

**EXHIBIT 11**  
**TOWN OF HOPKINTON, NEW HAMPSHIRE**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**December 31, 2013**

	Special Revenue Funds										Capital Projects Fund Expendable Trust	Total
	Library	Recreation Revolving	Recycling Revolving	Conservation Commission	Pay-by-Bag	Sewer	Senior Center Rental	Drug Forfeiture and Seizure	Public Safety Revolving	Other		
<b>ASSETS</b>												
Cash and cash equivalents	\$ 61,434	\$ 53,771	\$ 26,913	\$ 87,884	\$ 96,923	\$ 8,987	\$ 719	\$ 33,144	\$ 48,369	\$ 62,662	\$ 77,561	\$ 558,367
Investments	13,077	-	-	-	-	-	-	-	-	-	476,077	489,154
Accounts receivable	-	-	-	-	9,420	12,588	-	-	-	-	-	22,008
Interfund receivable	-	-	-	-	8,782	-	-	-	-	-	-	8,782
Total assets	<u>\$ 74,511</u>	<u>\$ 53,771</u>	<u>\$ 26,913</u>	<u>\$ 87,884</u>	<u>\$ 115,125</u>	<u>\$ 21,575</u>	<u>\$ 719</u>	<u>\$ 33,144</u>	<u>\$ 48,369</u>	<u>\$ 62,662</u>	<u>\$ 553,638</u>	<u>\$ 1,078,311</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>												
Liabilities:												
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 645	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 645
Accrued salaries and benefits	-	135	-	-	-	1,851	-	-	-	-	-	1,986
Interfund payable	-	3,775	-	-	-	33,060	-	-	607	1,692	-	39,134
Total liabilities	<u>-</u>	<u>3,910</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,556</u>	<u>-</u>	<u>-</u>	<u>607</u>	<u>1,692</u>	<u>-</u>	<u>41,765</u>
Deferred inflows of resources:												
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,730</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,730</u>
Fund balances:												
Restricted	74,511	-	-	-	-	-	-	-	-	-	-	74,511
Committed	-	49,861	26,913	87,884	115,125	-	719	33,144	47,762	60,970	553,638	976,016
Unassigned	-	-	-	-	-	(23,711)	-	-	-	-	-	(23,711)
Total fund balances	<u>74,511</u>	<u>49,861</u>	<u>26,913</u>	<u>87,884</u>	<u>115,125</u>	<u>(23,711)</u>	<u>719</u>	<u>33,144</u>	<u>47,762</u>	<u>60,970</u>	<u>553,638</u>	<u>1,026,816</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 74,511</u>	<u>\$ 53,771</u>	<u>\$ 26,913</u>	<u>\$ 87,884</u>	<u>\$ 115,125</u>	<u>\$ 21,575</u>	<u>\$ 719</u>	<u>\$ 33,144</u>	<u>\$ 48,369</u>	<u>\$ 62,662</u>	<u>\$ 553,638</u>	<u>\$ 1,078,311</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, 2013**

	Special Revenue Funds										Capital Projects Fund	
	Library	Recreation Revolving	Recycling Revolving	Conservation Commission	Pay-by-Bag	Sewer	Senior Center Rental	Drug Forfeiture and Seizure	Public Safety Revolving	Other	Expendable Trust	Total
<b>REVENUES</b>												
Taxes	\$ -	\$ -	\$ -	\$ 7,420	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,420
Charges for services	-	97,351	-	-	98,557	98,302	-	-	84,191	-	-	378,401
Miscellaneous	16,904	18	11	2,635	44	4	170	19,662	19	51,020	264	90,751
Total revenues	16,904	97,369	11	10,055	98,601	98,306	170	19,662	84,210	51,020	264	476,572
<b>EXPENDITURES</b>												
Current:												
General government	-	-	-	-	-	-	-	-	-	-	20,614	20,614
Public safety	-	-	-	-	-	-	-	-	90,021	869	469,054	559,944
Highways and streets	-	-	-	-	-	-	-	-	-	-	152,025	152,025
Sanitation	-	-	-	-	22,043	99,587	-	-	-	-	19,614	141,244
Welfare	-	-	-	-	-	-	-	-	-	16,973	-	16,973
Culture and recreation	509	91,877	-	-	-	-	529	-	-	-	11,536	104,451
Conservation	-	-	-	17,530	-	-	-	-	-	-	-	17,530
Total expenditures	509	91,877	-	17,530	22,043	99,587	529	-	90,021	17,842	672,843	1,012,781
Excess (deficiency) of revenues over (under) expenditures	16,395	5,492	11	(7,475)	76,558	(1,281)	(359)	19,662	(5,811)	33,178	(672,579)	(536,209)
Other financing sources (uses):												
Transfers in	2,435	-	-	-	-	-	-	-	-	-	433,000	435,435
Transfers out	(15,000)	-	-	-	(69,957)	-	-	-	-	-	(280,608)	(365,565)
Total other financing sources and uses	(12,565)	-	-	-	(69,957)	-	-	-	-	-	152,392	69,870
Net change in fund balances	3,830	5,492	11	(7,475)	6,601	(1,281)	(359)	19,662	(5,811)	33,178	(520,187)	(466,339)
Fund balances, beginning	70,681	44,369	26,902	95,359	108,524	(22,430)	1,078	13,482	53,573	27,792	1,073,825	1,493,155
Fund balances, ending	\$ 74,511	\$ 49,861	\$ 26,913	\$ 87,884	\$ 115,125	\$ (23,711)	\$ 719	\$ 33,144	\$ 47,762	\$ 60,970	\$ 553,638	\$ 1,026,816

**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, 2013**

	Estimated	Actual	Variance Positive (Negative)
<b>Taxes:</b>			
Property	\$ 3,095,189	\$ 2,973,743	\$ (121,446)
Land use change	15,000	29,380	14,380
Timber	24,000	28,710	4,710
Payments in lieu of taxes	85,248	95,012	9,764
Interest and penalties on delinquent taxes	112,000	128,824	16,824
<b>Total taxes</b>	<b>3,331,437</b>	<b>3,255,669</b>	<b>(75,768)</b>
<b>Licenses, permits and fees:</b>			
Business licenses and permits	1,500	2,235	735
Motor vehicle permits	933,899	996,106	62,207
Other	21,250	21,832	582
<b>Total licenses, permits and fees</b>	<b>956,649</b>	<b>1,020,173</b>	<b>63,524</b>
<b>Intergovernmental:</b>			
State sources:			
Meals and rooms distributions	249,157	249,157	-
Highway block grant	162,605	162,182	(423)
State and federal forest land	496	1,713	1,217
Flood control reimbursement	217,013	210,673	(6,340)
Other	24,183	33,390	9,207
Federal sources:			
FEMA	-	32,854	32,854
<b>Total intergovernmental</b>	<b>653,454</b>	<b>689,969</b>	<b>36,515</b>
<b>Charges for services:</b>			
Income from departments	647,650	697,043	49,393
<b>Miscellaneous:</b>			
Sale of property	2,500	4,535	2,035
Interest on investments	-	287	287
Rents	-	8,434	8,434
Fines and forfeits	-	225	225
Insurance dividends and reimbursements	-	91,736	91,736
Contributions and donations	-	4,929	4,929
Other	929,434	223,907	(705,527)
<b>Total miscellaneous</b>	<b>931,934</b>	<b>334,053</b>	<b>(597,881)</b>
<b>Other financing sources:</b>			
Transfers in:			
Expendable trust fund	-	280,608	280,608
Nonmajor funds	93,078	84,957	(8,121)
Long-term debt issued	530,566	530,566	-
<b>Total other financing sources</b>	<b>623,644</b>	<b>896,131</b>	<b>272,487</b>
<b>Total revenues and other financing sources</b>	<b>7,144,768</b>	<b>\$ 6,893,038</b>	<b>\$ (251,730)</b>
Use of fund balance to reduce taxes	458,500		
<b>Total revenues, other financing sources and use of fund balance</b>	<b>\$ 7,603,268</b>		



**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, 2013**

	Encumbered from Prior Year	Appropriations	Expenditures	Variance Positive (Negative)
Current:				
General government:				
Executive	\$ -	\$ 264,112	\$ 264,429	\$ (317)
Election and registration	-	253,068	203,950	49,118
Financial administration	-	120,533	116,960	3,573
Revaluation of property	-	58,200	72,736	(14,536)
Legal	-	25,000	14,757	10,243
Personnel administration	-	23,709	27,191	(3,482)
Planning and zoning	-	118,191	112,918	5,273
Cemeteries	-	38,378	37,676	702
Insurance, not otherwise allocated	-	135,408	127,876	7,532
Total general government	-	1,036,599	978,493	58,106
Public safety:				
Police	-	751,034	676,117	74,917
Ambulance	-	616,008	625,782	(9,774)
Fire	1,322	264,919	253,501	12,740
Emergency management	-	1	-	1
Total public safety	1,322	1,631,962	1,555,400	77,884
Highways and streets:				
Administration	-	568,496	584,255	(15,759)
Highways and streets	-	634,500	649,394	(14,894)
Street lighting	-	2,160	2,097	63
Total highways and streets	-	1,205,156	1,235,746	(30,590)
Sanitation:				
Solid waste disposal	-	637,395	547,849	89,546
Solid waste clean-up	-	49,696	39,790	9,906
Total sanitation	-	687,091	587,639	99,452
Health:				
Pest control	-	-	5,233	(5,233)
Health agencies and hospitals	-	14,327	14,327	-
Total health	-	14,327	19,560	(5,233)
Welfare:				
Administration	-	68,945	67,287	1,658
Vendor payments	-	55,000	57,442	(2,442)
Total welfare	-	123,945	124,729	(784)
Culture and recreation:				
Parks and recreation	-	362,004	342,358	19,646
Public library	-	291,285	284,078	7,207
Patriotic purposes	-	3,250	2,985	265
Other	-	-	105	(105)
Total culture and recreation	-	656,539	629,526	27,013
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, 2013***

	Encumbered from Prior Year	Appropriations	Expenditures	Variance Positive (Negative)
Debt service:				
Principal	-	401,919	402,089	(170)
Interest on long-term debt	-	83,729	80,550	3,179
Interest on tax anticipation note	-	2,000	-	2,000
Total debt service	-	487,648	482,639	5,009
Capital outlay:				
Land	-	-	9,143	(9,143)
Machinery, vehicles and equipment	-	-	4,507	(4,507)
Buildings	-	1,325,000	1,436,198	(111,198)
Improvements other than buildings	-	-	45,966	(45,966)
Total capital outlay	-	1,325,000	1,495,814	(170,814)
Other financing uses:				
Transfers out:				
Expendable trust funds	-	433,000	433,000	-
Total encumbrances, appropriations, expenditures and other financing uses	\$ 1,322	\$ 7,603,268	\$ 7,542,546	\$ 62,044

**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, 2013***

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Unassigned fund balance, beginning		\$ 1,313,527
Changes:		
Unassigned fund balance used to reduce tax rate		(458,500)
Budget summary:		
Revenue shortfall (Exhibit 13)	\$ (251,730)	
Unexpended balance of appropriations (Exhibit 14)	<u>62,044</u>	
Budget deficit		(189,686)
Increase in nonspendable fund balance		(58,766)
Decrease in committed fund balance		<u>623,626</u>
Unassigned fund balance, ending		<u><u>\$ 1,230,201</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, each major fund, and the aggregate remaining fund information of the Town of Hopkinton as of and for the year ended December 31, 2013, 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 do wish to discuss the following matters as areas where controls could be strengthened.

### *Sewer Fund Reporting*

The Sewer Fund ended the year with a deficit of \$23,711, which was a slightly larger deficit than in the prior year. We noted that there have been changes implemented and that the Town is working to address this situation, but it still seems that sewer charges are not enough to meet the expenditures of the Sewer Fund. We recommend that the Town review the Sewer Fund to determine the best way to either increase fees or reduce costs.

### *Ambulance Billing and Receivables*

The Town uses an outside billing service to bill for its ambulance runs, collect payments, and remit them to the Town. We found a lack of reconciliation between the billings, collections and adjustments within the Town's records. We recommend that the Town's Finance Office receive a report on a monthly basis showing the amounts billed, the collections received and the amounts adjusted. Then the receivable could be recorded in the General Fund for all billings, and be reduced accordingly for collections and adjustments. Currently, the only revenue being recognized for ambulance fees is the amount being collected, which then necessitates more audit time to reconcile the ambulance activity and make sure that the receivable is properly booked.

*Abatements of Water and Sewer Commitments*

We noted that there were instances in which changes were made to the receivables for sewer charges, and fees collected by the tax collector for the water precincts, without formal written approval. Apparently, corrections in amounts billed are sometimes communicated verbally to the tax collector by the respective sewer or water commissioners. This is not a good practice and weakens internal control. The tax collector should collect the amounts committed to him on formal warrants, and remove only those amounts abated on formal abatement forms signed by a majority of the commissioners. Even obvious errors in billings should be formally abated.

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.

June 18, 2014

*Robert A. Greene, PLLC*