

TOWN OF HOPKINTON, NEW HAMPSHIRE

FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2014

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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, 2014, 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, 2014, 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 schedule of funding progress for other postemployment benefits on page 32 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.

July 1, 2015

Roberts & Greene, PLLC

BASIC FINANCIAL STATEMENTS

EXHIBIT 1
TOWN OF HOPKINTON, NEW HAMPSHIRE
Statement of Net Position
December 31, 2014

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 8,196,536
Investments	1,745,202
Intergovernmental receivable	14,464
Other receivables, net of allowance for uncollectibles	1,642,269
Prepaid items	15,581
Tax deeded property held for resale	2,015
Capital assets, not being depreciated/amortized:	
Land	8,410,469
Construction in progress	1,865,165
Intangible assets	323,900
Capital assets, net of accumulated depreciation:	
Land improvements	440,768
Buildings and building improvements	3,869,339
Machinery, vehicles and equipment	1,423,522
Infrastructure	7,243,552
Total assets	<u>35,192,782</u>
LIABILITIES	
Accounts payable	66,744
Accrued payroll and benefits	34,298
Contract payable	443,845
Accrued interest payable	29,438
Intergovernmental payable	7,395,872
Noncurrent obligations:	
Due within one year:	
Bonds and notes payable	326,033
Capital lease payable	17,773
Compensated absences	2,219
Accrued landfill postclosure care costs	23,000
Due in more than one year:	
Bonds and notes payable	3,023,014
Capital lease payable	18,600
Compensated absences	181,224
Other post-employment benefits payable	132,427
Accrued landfill postclosure care costs	276,000
Total liabilities	<u>11,970,487</u>
DEFERRED INFLOWS OF RESOURCES	
Unearned revenue	<u>24,596</u>
NET POSITION	
Net investment in capital assets	20,191,295
Restricted for:	
Perpetual care:	
Nonexpendable	495,466
Expendable	300,513
Other purposes	450,947
Unrestricted	1,759,478
Total net position	<u>\$ 23,197,699</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, 2014

		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	\$ 1,603,887	\$ 37,637	\$ 48,954	\$ -	\$ (1,517,296)
Public safety	1,663,941	343,379	350,044	-	(970,518)
Highways and streets	2,762,587	-	-	181,381	(2,581,206)
Sanitation	765,281	527,720	24,389	-	(213,172)
Health	20,895	-	-	-	(20,895)
Welfare	116,669	-	-	-	(116,669)
Culture and recreation	754,091	90,262	126	-	(663,703)
Conservation	5,011	-	-	86,820	81,809
Interest on long-term debt	79,177	-	-	-	(79,177)
Capital outlay	32,702	-	-	-	(32,702)
Total primary government	<u>\$ 7,804,241</u>	<u>\$ 998,998</u>	<u>\$ 423,513</u>	<u>\$ 268,201</u>	<u>(6,113,529)</u>
General revenues:					
Property taxes					3,376,729
Other taxes					237,153
Licenses and permits					1,077,882
Grants and contributions not restricted to specific programs					269,773
Miscellaneous					148,832
Total general revenues					<u>5,110,369</u>
Change in net position					(1,003,160)
Net position, beginning, as restated, see Note III.D.					24,200,859
Net position, ending					<u>\$ 23,197,699</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, 2014

	General	Permanent	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 7,573,890	\$ 80,062	\$ 542,584	\$ 8,196,536
Investments	-	1,090,019	655,183	1,745,202
Receivables, net of allowance for uncollectibles:				
Taxes	1,271,213	-	-	1,271,213
Accounts	141,572	-	25,524	167,096
Intergovernmental	14,464	-	-	14,464
Interfund receivable	34,995	-	783	35,778
Prepaid items	15,581	-	-	15,581
Tax deeded property held for resale	2,015	-	-	2,015
Total assets	<u>\$ 9,053,730</u>	<u>\$ 1,170,081</u>	<u>\$ 1,224,074</u>	<u>\$ 11,447,885</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 66,542	\$ -	\$ 202	\$ 66,744
Accrued salaries and benefits	33,772	-	526	34,298
Contract payable	443,845	-	-	443,845
Intergovernmental payable	7,395,872	-	-	7,395,872
Interfund payable	783	-	34,995	35,778
Total liabilities	<u>7,940,814</u>	<u>-</u>	<u>35,723</u>	<u>7,976,537</u>
Deferred inflows of resources:				
Deferred revenue	<u>974,722</u>	<u>-</u>	<u>9,633</u>	<u>984,355</u>
Fund balances:				
Nonspendable	17,596	696,941	-	714,537
Restricted	-	473,140	76,845	549,985
Committed	-	-	1,112,298	1,112,298
Assigned	85,695	-	-	85,695
Unassigned	34,903	-	(10,425)	24,478
Total fund balances	<u>138,194</u>	<u>1,170,081</u>	<u>1,178,718</u>	<u>2,486,993</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,053,730</u>	<u>\$ 1,170,081</u>	<u>\$ 1,224,074</u>	<u>\$ 11,447,885</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, 2014

Total fund balances of governmental funds (Exhibit 3)		\$ 2,486,993
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	\$ 61,729,548	
Less accumulated depreciation	<u>(38,152,833)</u>	
		23,576,715
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	\$ (35,778)	
Payables	<u>35,778</u>	
		-
Long-term revenues are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Deferred tax revenue	\$ 832,681	
Deferred ambulance revenue	25,593	
Deferred landfill charges	12,507	
Deferred sewer charges	9,633	
Deferred payments in lieu of taxes	75,619	
Deferred grant revenue	3,726	
Unavailable elderly and welfare liens	<u>203,960</u>	
		1,163,719
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(29,438)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes outstanding	\$ 3,349,047	
Capital lease outstanding	36,373	
Compensated absences payable	183,443	
Other post-employment benefits payable	132,427	
Accrued landfill postclosure care costs	<u>299,000</u>	
		<u>(4,000,290)</u>
Total net position of governmental activities (Exhibit 1)		<u>\$ 23,197,699</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, 2014

	General	Permanent	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 3,512,741	\$ -	\$ 8,706	\$ 3,521,447
Licenses, permits and fees	1,077,882	-	-	1,077,882
Intergovernmental	822,501	-	-	822,501
Charges for services	652,440	-	357,820	1,010,260
Miscellaneous	50,785	48,954	184,353	284,092
Total revenues	<u>6,116,349</u>	<u>48,954</u>	<u>550,879</u>	<u>6,716,182</u>
Expenditures:				
Current:				
General government	1,504,202	24,974	1,690	1,530,866
Public safety	1,447,811	-	88,721	1,536,532
Highways and streets	1,118,269	-	1,747	1,120,016
Sanitation	572,141	-	125,435	697,576
Health	20,895	-	-	20,895
Welfare	98,788	-	18,749	117,537
Culture and recreation	575,319	1,400	111,757	688,476
Conservation	-	-	136,611	136,611
Debt service:				
Principal	320,410	-	16,984	337,394
Interest	74,497	-	2,479	76,976
Capital outlay	<u>1,985,027</u>	<u>-</u>	<u>218,510</u>	<u>2,203,537</u>
Total expenditures	<u>7,717,359</u>	<u>26,374</u>	<u>722,683</u>	<u>8,466,416</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,601,010)</u>	<u>22,580</u>	<u>(171,804)</u>	<u>(1,750,234)</u>
Other financing sources (uses):				
Transfers in	87,618	-	411,324	498,942
Transfers out	(409,000)	(2,324)	(87,618)	(498,942)
Long-term debt issued	<u>1,500,025</u>	<u>-</u>	<u>-</u>	<u>1,500,025</u>
Total other financing sources and uses	<u>1,178,643</u>	<u>(2,324)</u>	<u>323,706</u>	<u>1,500,025</u>
Net change in fund balances	(422,367)	20,256	151,902	(250,209)
Fund balances, beginning, as restated, see Note III.D.	<u>560,561</u>	<u>1,149,825</u>	<u>1,026,816</u>	<u>2,737,202</u>
Fund balances, ending	<u>\$ 138,194</u>	<u>\$ 1,170,081</u>	<u>\$ 1,178,718</u>	<u>\$ 2,486,993</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, 2014

Net change in fund balances of governmental funds (Exhibit 5)		\$ (250,209)
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	\$ 2,319,774	
Depreciation expense	<u>(1,901,347)</u>	418,427
The net effect of various transactions involving capital assets is to decrease net position.		(22,555)
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$ (498,942)	
Transfers out	<u>498,942</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	\$ 34,630	
Change in deferred ambulance revenue	(5,397)	
Change in deferred landfill charges	(5,768)	
Change in deferred sewer charges	(97)	
Change in deferred payments in lieu of taxes	41,539	
Change in deferred grant revenue	3,726	
Change in allowance for unavailable liens	<u>(32,545)</u>	36,088
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.		
Drawdowns of long-term note	\$ (1,500,025)	
Repayment of bond and note principal	320,410	
Repayment of capital lease principal	<u>16,984</u>	(1,162,631)
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.		
Increase in accrued interest expense	\$ (2,201)	
Decrease in compensated absences payable	2,675	
Increase in other post-employment benefits payable	(17,754)	
Increase in accrued landfill postclosure care costs	<u>(5,000)</u>	(22,280)
Change in net position of governmental activities (Exhibit 2)		<u>\$ (1,003,160)</u>

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

EXHIBIT 7
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, 2014

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes	\$ 3,540,733	\$ 3,540,733	\$ 3,535,570	\$ (5,163)
Licenses, permits and fees	1,029,000	1,029,000	1,077,882	48,882
Intergovernmental	675,190	814,718	822,501	7,783
Charges for services	779,000	779,000	652,440	(126,560)
Miscellaneous	49,250	49,250	50,785	1,535
Total revenues	<u>6,073,173</u>	<u>6,212,701</u>	<u>6,139,178</u>	<u>(73,523)</u>
EXPENDITURES				
Current:				
General government	1,510,482	1,455,682	1,504,202	(48,520)
Public safety	1,465,903	1,499,088	1,447,811	51,277
Highways and streets	1,203,651	1,211,842	1,203,964	7,878
Sanitation	674,213	678,680	572,141	106,539
Health	21,411	21,411	20,895	516
Welfare	110,836	112,044	98,788	13,256
Culture and recreation	581,464	589,213	575,319	13,894
Conservation	1	1	-	1
Economic development	1	1	-	1
Debt service:				
Principal	320,309	320,309	320,410	(101)
Interest on long-term debt	74,621	74,621	74,497	124
Interest on tax anticipation note	2,000	2,000	-	2,000
Capital outlay	<u>2,995,041</u>	<u>3,134,569</u>	<u>1,985,027</u>	<u>1,149,542</u>
Total expenditures	<u>8,959,933</u>	<u>9,099,461</u>	<u>7,803,054</u>	<u>1,296,407</u>
Deficiency of revenues under expenditures	<u>(2,886,760)</u>	<u>(2,886,760)</u>	<u>(1,663,876)</u>	<u>1,222,884</u>
Other financing sources (uses):				
Transfers in	120,719	120,719	87,618	(33,101)
Transfers out	(409,000)	(409,000)	(409,000)	-
Long-term debt issued	<u>2,995,041</u>	<u>2,995,041</u>	<u>1,500,025</u>	<u>(1,495,016)</u>
Total other financing sources and uses	<u>2,706,760</u>	<u>2,706,760</u>	<u>1,178,643</u>	<u>(1,528,117)</u>
Net change in fund balance	<u>\$ (180,000)</u>	<u>\$ (180,000)</u>	(485,233)	<u>\$ (305,233)</u>
Decrease in nonspendable fund balance			122,616	
Unassigned fund balance, beginning			<u>1,230,201</u>	
Unassigned fund balance, ending			<u>\$ 867,584</u>	

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

EXHIBIT 8
TOWN OF HOPKINTON, NEW HAMPSHIRE
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2014

	Private Purpose Trust	Agency
Assets:		
Cash and cash equivalents	\$ 39,477	\$ 250,599
Investments	<u>537,461</u>	<u>282,516</u>
Total assets	<u>576,938</u>	<u>533,115</u>
Liabilities:		
Due to other governmental units	-	527,119
Due to developers	<u>-</u>	<u>5,996</u>
Total liabilities	<u>-</u>	<u>533,115</u>
Net position:		
Held in trust for specific purposes	<u>\$ 576,938</u>	<u>\$ -</u>

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

EXHIBIT 9
TOWN OF HOPKINTON, NEW HAMPSHIRE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2014

	Private Purpose Trust
Additions:	
New funds	\$ 8,000
Investment earnings:	
Interest and dividends	23,385
Net change in fair value of investments	62,537
Total additions	93,922
Deductions:	
Trust distributions	16,449
Change in net position	77,473
Net position, beginning	499,465
Net position, ending	\$ 576,938

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, 2014**

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, 2014.

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, 2014

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. However, on the budgetary basis, tax revenue is not so deferred in accordance with the instructions of the State of New Hampshire Department of Revenue Administration. 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
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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.

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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:

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 library fund; and 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 the balances of tax deeded property 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.
- Assigned, representing encumbrances approved by the Board of Selectmen.
- 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 2014, \$180,000 of the fund balance from 2013 was used.

Encumbrance accounting is employed by the governmental funds. Encumbrances (e.g., purchase orders and 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.

Reconciliation of General Fund Budgetary Basis to GAAP

The following reconciles the budgetary basis to the GAAP basis for the General Fund. The Permanent Fund does not have a formal budget.

Revenues and other financing sources:	
Per Exhibit 7 (budgetary basis)	\$ 7,726,821
Adjustments:	
Basis difference:	
Tax revenue deferred in the prior year	809,852
Tax revenue deferred in the current year	(832,681)
Per Exhibit 5 (GAAP basis)	<u>\$ 7,703,992</u>
Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	\$ 8,212,054
Adjustment:	
Basis difference:	
Encumbrances, ending	(85,695)
Per Exhibit 5 (GAAP basis)	<u>\$ 8,126,359</u>

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Unassigned fund balance:	
Per Exhibit 7 (budgetary basis)	\$ 867,584
Adjustment:	
Basis difference:	
Deferred tax revenue, GAAP basis	(832,681)
Per Exhibit 3 (GAAP basis)	<u>\$ 34,903</u>

The General Fund unassigned fund balance is lower than expected due to the timing of revenue recognition for long-term debt proceeds. The Fire Station renovations are being funded by a letter of credit from which drawdowns are being made to meet cash needs of the project. At December 31, 2014, there was a construction liability recorded in the amount of \$443,845 for work done by the contractor in 2014 that was not paid until 2015. Because the invoice was not received nor paid until 2015, there was no drawdown on the letter of credit to be recognized until 2015.

III. Detailed Notes on Funds and Government-Wide Statements

III.A. Assets

III.A.1. Investments

As of December 31, 2014, the Town had the following investments:

Certificates of Deposit	\$ 10,488
U.S. Government Agency Bonds	249,654
Exchange Traded Funds	28,702
Mutual Funds	287,664
Preferred Stock	126,320
Common Stock	514,606
Corporate Bonds	420,534
New Hampshire Public Deposit Investment Pool	927,211
	<u>\$ 2,565,179</u>

The investments appear in the financial statements as follow:

Fund reporting level:	
Governmental funds - balance sheet (Exhibit 3)	\$ 1,745,202
Fiduciary funds - statement of fiduciary net position (Exhibit 8)	819,977
Total	<u>\$ 2,565,179</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.

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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. The tax collector executed a tax lien for uncollected 2013 property taxes on May 14, 2014.

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

The net assessed valuation as of April 1, 2014, upon which the 2014 property tax levy was based was:

For the New Hampshire education tax	\$ 582,065,615
For all other taxes	\$ 609,948,415

This note continues on the following page.

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The tax rates and amounts assessed for the year ended December 31, 2014 were as follow:

	Per \$1,000 of Assessed Valuation	
Municipal portion	\$5.94	\$ 3,621,508
School portion:		
State of New Hampshire	\$2.54	1,478,163
Local	\$21.09	12,862,749
County portion	\$2.99	1,826,679
Precinct portion:		
Contoocook Village	\$1.37	178,948
Hopkinton Village	\$0.41	15,214
Total property taxes assessed		<u>\$ 19,983,261</u>

The following details the taxes receivable at year-end:

Property:	
Levy of 2014	\$ 1,056,723
Unredeemed (under tax lien):	
Levy of 2013	165,992
Levy of 2012	78,207
Levy of 2011	22,336
Levy of 2010	22,014
Levy of 2009	7,069
Levy of 2008	1,895
Levy of 2007	1,786
Levy of 2006	1,041
Land use change	11,500
Timber	2,650
Less: allowance for estimated uncollectible taxes	(100,000)
Net taxes receivable	<u>\$ 1,271,213</u>

This note continues on the following page.

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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 as follow:

Accounts	\$ 177,096
Intergovernmental	14,464
Liens	203,960
Less: allowance for uncollectible/unavailable amounts	<u>(213,960)</u>
Net total receivables	<u><u>\$ 181,560</u></u>

Deferred Revenue

Deferred revenue in the governmental funds consists of \$832,681 of taxes, \$9,633 of sewer charges, \$75,619 of payments in lieu of taxes, \$25,593 of ambulance related fees, \$12,507 of transfer station revenue, and \$3,726 of grant revenue deferred because they were not received within sixty days of year-end; and \$18,641 of prepayments of taxes and \$5,955 of prepayments of transfer station fees. In the governmental activities, the prepayments totaling \$24,596 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	71,940	1,793,225	-	1,865,165
Total capital assets not being depreciated	<u>8,482,409</u>	<u>1,793,225</u>	<u>-</u>	<u>10,275,634</u>
Being depreciated:				
Land improvements	1,202,903	-	-	1,202,903
Buildings and building improvements	5,618,324	17,900	-	5,636,224
Machinery, vehicles and equipment	3,990,080	198,916	(176,885)	4,012,111
Infrastructure	40,100,643	178,133	-	40,278,776
Intangible assets	192,300	131,600	-	323,900
Total capital assets being depreciated	<u>51,104,250</u>	<u>526,549</u>	<u>(176,885)</u>	<u>51,453,914</u>
Total all capital assets	<u>59,586,659</u>	<u>2,319,774</u>	<u>(176,885)</u>	<u>61,729,548</u>
Less accumulated depreciation:				
Land improvements	(711,527)	(50,608)	-	(762,135)
Buildings and building improvements	(1,655,159)	(111,726)	-	(1,766,885)
Machinery, vehicles and equipment	(2,462,190)	(280,729)	154,330	(2,588,589)
Infrastructure	(31,576,940)	(1,458,284)	-	(33,035,224)
Total accumulated depreciation	<u>(36,405,816)</u>	<u>(1,901,347)</u>	<u>154,330</u>	<u>(38,152,833)</u>
Net book value, capital assets being depreciated	<u>14,698,434</u>	<u>(1,374,798)</u>	<u>(22,555)</u>	<u>13,301,081</u>
Net book value, all capital assets	<u>\$ 23,180,843</u>	<u>\$ 418,427</u>	<u>\$ (22,555)</u>	<u>\$ 23,576,715</u>

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

Governmental activities:	
General government	\$ 3,176
Public safety	125,775
Highways and streets	1,645,954
Sanitation	59,815
Culture and recreation	66,627
Total depreciation expense	<u>\$ 1,901,347</u>

III.A.4. Restricted Net Position

The government-wide statement of net position includes restricted net position of \$795,979 for perpetual care and \$450,947 for library and welfare representing public trust funds reported as restricted to reflect purpose restrictions contained in trust indentures, and library funds restricted in accordance with State law.

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III.B. Liabilities

III.B.1 Intergovernmental Payable

The amount due to other governments at December 31, 2014 consists of the balance of the 2014-2015 district assessment due to the Hopkinton School District in the amount of \$7,395,872.

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 thirteen 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 12/31/2014	Current Portion
General obligation bonds/notes payable:						
Landfill closure	\$ 1,859,384	1998	2017	4.21	\$ 385,395	\$ 123,198
Open space (Beyer/Carson/Rollins)	\$ 761,500	2004	2020	4.31	300,000	50,000
Open space (Rice)	\$ 467,900	2005	2025	4.00	245,000	25,000
Open space (Ransmeier)	\$ 368,250	2006	2019	4.39	80,700	18,413
Open space (Myron)	\$ 279,837	2007	2020	3.97	150,418	21,365
Commuity well	\$ 350,000	2010	2020	3.20	210,000	35,000
Highway garage	\$ 530,566	2013	2023	2.21	477,509	53,057
Fire station renovation	\$ 1,500,025	2014	2030	3.49	1,500,025	-
					<u>3,349,047</u>	<u>326,033</u>
Capital lease payable:						
Loader/backhoe	\$ 85,096	2011	2016	4.55	36,373	17,773
Compensated absences payable					183,443	2,219
OPEB liability					132,427	-
Accrued landfill postclosure care costs					299,000	23,000
					<u>\$ 4,000,290</u>	<u>\$ 369,025</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, 2014:

	General Obligation Bonds and Notes Payable	Capital Lease Payable	Compensated Absences Payable	OPEB Liability	Accrued Landfill Postclosure Care Costs	Total
Balance, beginning	\$ 2,119,432	\$ 53,357	\$ 186,118	\$ 114,673	\$ 294,000	\$ 2,767,580
Additions	1,500,025	-	-	17,754	5,000	1,522,779
Reductions	(270,410)	(16,984)	(2,675)	-	-	(290,069)
Balance, ending	<u>\$ 3,349,047</u>	<u>\$ 36,373</u>	<u>\$ 183,443</u>	<u>\$ 132,427</u>	<u>\$ 299,000</u>	<u>\$ 4,000,290</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
2015	\$ 326,033	\$ 73,473	\$ 399,506
2016	332,188	49,080	381,268
2017	338,504	36,406	374,910
2018	205,637	26,376	232,013
2019	195,252	19,205	214,457
2020-2024	431,408	29,058	460,466
2025	20,000	665	20,665
Fire station note*	1,500,025	-	1,500,025
Totals	<u>\$ 3,349,047</u>	<u>\$ 234,263</u>	<u>\$ 3,583,310</u>

*This note is still being drawn down at year-end, and no amortization schedule is calculated until note is finalized.

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

Fiscal Year Ending December 31,	Principal	Interest	Total
2015	\$ 17,773	\$ 1,690	\$ 19,463
2016	18,600	863	19,463
Totals	<u>\$ 36,373</u>	<u>\$ 2,553</u>	<u>\$ 38,926</u>

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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, 2014, five bonds totaling \$2,037,486 have been issued of this authorization, leaving \$2,962,514 still unissued.

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

III.C.1. *Receivables and Payables*

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

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor	\$ 34,995
Nonmajor	General	783
		<u>\$ 35,778</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.

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The following reports transfers within the reporting entity:

	Transfers In:		
	General Fund	Nonmajor Funds	Total
Transfers out:			
General Fund	\$ -	\$ 409,000	\$ 409,000
Permanent Fund	-	2,324	2,324
Nonmajor Funds	87,618	-	87,618
	<u>\$ 87,618</u>	<u>\$ 411,324</u>	<u>\$ 498,942</u>

The transfers from the General Fund represent \$409,000 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, and \$72,618 from the Pay-by-Bag Fund to the General Fund as voted. The transfer from the Permanent Fund of \$2,324 represents earnings on library trust funds paid to the Library Fund.

III.D. Restatement of Beginning Equity Balances

The beginning equity balances were restated as follow:

	Govermental Activities	General Fund
To record value of tax-deeded property acquired in prior year	\$ 54,318	\$ 54,318
Net position/fund balance, as previously reported	24,146,541	506,243
Net position/fund balance, as restated	<u>\$ 24,200,859</u>	<u>\$ 560,561</u>

The notes continue on the following page.

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III.E. Components of Fund Balance

Fund balance is categorized in the following components:

	General Fund	Permanent Fund	Nonmajor Funds
Nonspendable:			
Endowments	\$ -	\$ 696,941	\$ -
Prepaid items	15,581	-	-
Tax deeded property	2,015	-	-
Total nonspendable	<u>17,596</u>	<u>696,941</u>	<u>-</u>
Restricted:			
General government	-	300,513	-
Culture and recreation	-	172,627	76,845
Total restricted	<u>-</u>	<u>473,140</u>	<u>76,845</u>
Committed:			
Public safety	-	-	96,072
Sanitation	-	-	138,926
Welfare	-	-	30,880
Culture and recreation	-	-	62,908
Conservation	-	-	70,592
Capital outlay	-	-	712,920
Total committed	<u>-</u>	<u>-</u>	<u>1,112,298</u>
Assigned for highways and streets	85,695	-	-
Unassigned	34,903	-	(10,425)
Total fund balance	<u>\$ 138,194</u>	<u>\$ 1,170,081</u>	<u>\$ 1,178,718</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 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 provided statutory workers' compensation coverage, \$2,000,000 for each liability loss and various amounts of coverage for property losses. Contributions billed for 2014 to be recorded as an insurance expenditure/expense totaled \$71,088 for property/liability and \$60,898 for workers' compensation. In addition, a premium holiday was given to the Town for worker's compensation in the amount of \$23,741. There is a refund due to the Town in the amount of

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\$15,581 that is being applied to the 2015 premiums due, and is reported as a prepaid item in the financial statements. 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 25.30% for police, 27.74% for fire personnel, and 10.77% for other employees. Employer contributions from the Town during the years 2012, 2013, and 2014 were \$260,129, \$303,542, and \$356,384 respectively. The amounts are paid on a monthly basis as due.

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

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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, 2014, there were nine retirees with eight spouses, and thirty 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 2014 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.

The Town's annual OPEB cost for the year ended December 31, 2014 including the amount actually contributed to the plan and the change in the Town's net OPEB obligation is as follows:

Annual Required Contribution (ARC)	\$ 30,412
Interest on Net OPEB Obligation (NOO)	-
Adjustment to ARC	-
Annual OPEB Cost (Expense)	<u>30,412</u>
Age Adjusted Contributions Made	<u>(12,658)</u>
Change in Net OPEB Obligation (NOO)	17,754
Net OPEB Obligation (NOO), beginning	<u>114,673</u>
Net OPEB Obligation (NOO), ending	<u><u>\$ 132,427</u></u>

TOWN OF HOPKINTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year 2014 and the preceding five 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
12/31/2014	\$ 30,412	\$12,658	41.62%	\$17,754

Funded Status and Funding Progress

The funded status of the plan as of December 31, 2014, is as follows:

Accrued Liability (AL)	\$ 294,145
Value of Plan Assets	-
Unfunded Accrued Liability (UAL)	<u>\$ 294,145</u>
Funded Ratio (Value of Plan Assets/AL)	0.00%
Covered Payroll of Active Plan Members	\$ 2,053,126
UAL as a Percentage of Covered Payroll	14.33%

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

TOWN OF HOPKINTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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 2014 were used as the basis for calculation of the present value of total benefits to be paid.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT 10
TOWN OF HOPKINTON, NEW HAMPSHIRE
Other Postemployment Benefits
Schedule of Funding Progress
December 31, 2014

Valuation Date	Value of Assets	Accrued Liability	Unfunded Accrued Liability	Funded Ratio	Covered Payroll	UAL as a Percentage of Covered Payroll
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%
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%
12/31/2014	\$ -	\$294,145	\$294,145	0.00%	\$ 2,053,126	14.33%

COMBINING AND INDIVIDUAL FUND SCHEDULES

EXHIBIT 11
TOWN OF HOPKINTON, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2014

	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
ASSETS												
Cash and cash equivalents	\$ 63,752	\$ 40,573	\$ 26,926	\$ 70,592	\$ 98,293	\$ 5,279	\$ 1,628	\$ 33,192	\$ 54,544	\$ 62,721	\$ 85,084	\$ 542,584
Investments	13,093	-	-	-	-	-	-	-	-	-	642,090	655,183
Accounts receivable, net of allowance for uncollectibles	-	-	-	-	13,350	12,174	-	-	-	-	-	25,524
Interfund receivable	-	-	-	-	783	-	-	-	-	-	-	783
Total assets	<u>\$ 76,845</u>	<u>\$ 40,573</u>	<u>\$ 26,926</u>	<u>\$ 70,592</u>	<u>\$ 112,426</u>	<u>\$ 17,453</u>	<u>\$ 1,628</u>	<u>\$ 33,192</u>	<u>\$ 54,544</u>	<u>\$ 62,721</u>	<u>\$ 727,174</u>	<u>\$ 1,224,074</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES												
Liabilities:												
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 202	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 202
Accrued salaries and benefits	-	-	-	-	-	526	-	-	-	-	-	526
Interfund payable	-	2,573	-	-	-	17,517	100	-	125	426	14,254	34,995
Total liabilities	<u>-</u>	<u>2,573</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,245</u>	<u>100</u>	<u>-</u>	<u>125</u>	<u>426</u>	<u>14,254</u>	<u>35,723</u>
Deferred inflows of resources:												
Sewer charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,633</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,633</u>
Fund balances:												
Restricted	76,845	-	-	-	-	-	-	-	-	-	-	76,845
Committed	-	38,000	26,926	70,592	112,426	-	1,528	33,192	54,419	62,295	712,920	1,112,298
Unassigned	-	-	-	-	-	(10,425)	-	-	-	-	-	(10,425)
Total fund balances	<u>76,845</u>	<u>38,000</u>	<u>26,926</u>	<u>70,592</u>	<u>112,426</u>	<u>(10,425)</u>	<u>1,528</u>	<u>33,192</u>	<u>54,419</u>	<u>62,295</u>	<u>712,920</u>	<u>1,178,718</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 76,845</u>	<u>\$ 40,573</u>	<u>\$ 26,926</u>	<u>\$ 70,592</u>	<u>\$ 112,426</u>	<u>\$ 17,453</u>	<u>\$ 1,628</u>	<u>\$ 33,192</u>	<u>\$ 54,544</u>	<u>\$ 62,721</u>	<u>\$ 727,174</u>	<u>\$ 1,224,074</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, 2014

	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
REVENUES												
Taxes	\$ -	\$ -	\$ -	\$ 8,706	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,706
Charges for services	1,773	88,384	-	-	102,248	99,662	-	-	65,753	-	-	357,820
Miscellaneous	13,810	-	13	110,613	53	2	1,121	48	27	58,494	172	184,353
Total revenues	15,583	88,384	13	119,319	102,301	99,664	1,121	48	65,780	58,494	172	550,879
EXPENDITURES												
Current:												
General government	-	1,690	-	-	-	-	-	-	-	-	-	1,690
Public safety	-	-	-	-	-	-	-	-	59,123	29,598	-	88,721
Highways and streets	-	-	-	-	-	-	-	-	-	-	1,747	1,747
Sanitation	-	-	-	-	32,382	86,378	-	-	-	-	6,675	125,435
Welfare	-	-	-	-	-	-	-	-	-	18,749	-	18,749
Culture and recreation	573	98,555	-	-	-	-	312	-	-	8,822	3,495	111,757
Conservation	-	-	-	136,611	-	-	-	-	-	-	-	136,611
Debt service:												
Principal	-	-	-	-	-	-	-	-	-	-	16,984	16,984
Interest	-	-	-	-	-	-	-	-	-	-	2,479	2,479
Capital outlay	-	-	-	-	-	-	-	-	-	-	218,510	218,510
Total expenditures	573	100,245	-	136,611	32,382	86,378	312	-	59,123	57,169	249,890	722,683
Excess (deficiency) of revenues over (under) expenditures	15,010	(11,861)	13	(17,292)	69,919	13,286	809	48	6,657	1,325	(249,718)	(171,804)
Other financing sources (uses):												
Transfers in	2,324	-	-	-	-	-	-	-	-	-	409,000	411,324
Transfers out	(15,000)	-	-	-	(72,618)	-	-	-	-	-	-	(87,618)
Total other financing sources and uses	(12,676)	-	-	-	(72,618)	-	-	-	-	-	409,000	323,706
Net change in fund balances	2,334	(11,861)	13	(17,292)	(2,699)	13,286	809	48	6,657	1,325	159,282	151,902
Fund balances, beginning	74,511	49,861	26,913	87,884	115,125	(23,711)	719	33,144	47,762	60,970	553,638	1,026,816
Fund balances, ending	\$ 76,845	\$ 38,000	\$ 26,926	\$ 70,592	\$ 112,426	\$ (10,425)	\$ 1,528	\$ 33,192	\$ 54,419	\$ 62,295	\$ 712,920	\$ 1,178,718

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, 2014

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 3,342,608	\$ 3,361,882	\$ 19,274
Land use change	22,000	9,273	(12,727)
Timber	12,000	8,507	(3,493)
Payments in lieu of taxes	69,125	44,684	(24,441)
Interest and penalties on delinquent taxes	95,000	111,224	16,224
Total taxes	<u>3,540,733</u>	<u>3,535,570</u>	<u>(5,163)</u>
Licenses, permits and fees:			
Business licenses and permits	1,500	1,200	(300)
Motor vehicle permits	1,005,000	1,054,643	49,643
Other	22,500	22,039	(461)
Total licenses, permits and fees	<u>1,029,000</u>	<u>1,077,882</u>	<u>48,882</u>
Intergovernmental:			
State sources:			
Meals and rooms distributions	269,547	269,547	-
Highway block grant	163,557	164,146	589
State and federal forest land	226	226	-
Flood control reimbursement	217,471	210,516	(6,955)
Landfill grant	24,389	24,389	-
Flood control settlement agreement	139,528	139,528	-
Witness fees reimbursement	-	640	640
Federal sources:			
Safe Routes to School	-	13,509	13,509
Total intergovernmental	<u>814,718</u>	<u>822,501</u>	<u>7,783</u>
Charges for services:			
Income from departments	<u>779,000</u>	<u>652,440</u>	<u>(126,560)</u>
Miscellaneous:			
Sale of property	11,000	4,531	(6,469)
Rent of property	7,000	7,710	710
Fines and forfeits	250	605	355
Insurance dividends and reimbursements	20,000	20,270	270
Contributions and donations	1,500	1,935	435
Other	9,500	15,734	6,234
Total miscellaneous	<u>49,250</u>	<u>50,785</u>	<u>1,535</u>
Other financing sources:			
Transfers in:			
Nonmajor funds	120,719	87,618	(33,101)
Long-term debt issued	2,995,041	1,500,025	(1,495,016)
Total other financing sources	<u>3,115,760</u>	<u>1,587,643</u>	<u>(1,528,117)</u>
Total revenues and other financing sources	<u>9,328,461</u>	<u>\$ 7,726,821</u>	<u>\$ (1,601,640)</u>
Use of fund balance to reduce taxes	180,000		
Total revenues, other financing sources and use of fund balance	<u>\$ 9,508,461</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, 2014

	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:				
General government:				
Executive	\$ 244,948	\$ 254,037	\$ -	\$ (9,089)
Town clerk/tax collection	211,766	199,008	-	12,758
Financial administration	107,150	109,010	-	(1,860)
Revaluation of property	90,625	141,674	-	(51,049)
Legal	20,000	31,027	-	(11,027)
Personnel administration	591,280	582,986	-	8,294
Planning and zoning	102,023	101,608	-	415
Cemeteries	16,890	13,764	-	3,126
Insurance, not otherwise allocated	71,000	71,088	-	(88)
Total general government	1,455,682	1,504,202	-	(48,520)
Public safety:				
Police	701,661	621,591	-	80,070
Ambulance	551,651	593,559	-	(41,908)
Fire	245,775	232,661	-	13,114
Emergency management	1	-	-	1
Total public safety	1,499,088	1,447,811	-	51,277
Highways and streets:				
Public works	531,002	539,617	-	(8,615)
Highways and streets	678,500	576,517	85,695	16,288
Street lighting	2,340	2,135	-	205
Total highways and streets	1,211,842	1,118,269	85,695	7,878
Sanitation:				
Transfer station	632,122	529,973	-	102,149
Solid waste clean-up	31,500	27,912	-	3,588
Community wells	15,058	14,256	-	802
Total sanitation	678,680	572,141	-	106,539
Health:				
Pest control	7,084	6,568	-	516
Health and welfare agencies	14,327	14,327	-	-
Total health	21,411	20,895	-	516
Welfare:				
Administration	57,044	57,518	-	(474)
Direct assistance	55,000	41,270	-	13,730
Total welfare	112,044	98,788	-	13,256
Culture and recreation:				
Parks and recreation	309,603	300,400	-	9,203
Public library	274,360	270,350	-	4,010
Patriotic purposes	5,250	4,569	-	681
Total culture and recreation	589,213	575,319	-	13,894
Conservation	1	-	-	1
Economic development	1	-	-	1

(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, 2014

	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:				
Principal of long-term debt	320,309	320,410	-	(101)
Interest on long-term debt	74,621	74,497	-	124
Interest on tax anticipation note	2,000	-	-	2,000
Total debt service	<u>396,930</u>	<u>394,907</u>	<u>-</u>	<u>2,023</u>
Capital outlay:				
Fire station renovation	2,995,041	1,836,707	-	1,158,334
Sidewalks and road repairs/paving	139,528	148,320	-	(8,792)
Total capital outlay	<u>3,134,569</u>	<u>1,985,027</u>	<u>-</u>	<u>1,149,542</u>
Other financing uses:				
Transfers out:				
Expendable trust fund	<u>409,000</u>	<u>409,000</u>	<u>-</u>	<u>-</u>
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 9,508,461</u>	<u>\$ 8,126,359</u>	<u>\$ 85,695</u>	<u>\$ 1,296,407</u>

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, 2014

Unassigned fund balance, beginning		\$ 1,230,201
Changes:		
Unassigned fund balance used to reduce tax rate		(180,000)
Budget summary:		
Revenue shortfall (Exhibit 13)	\$ (1,601,640)	
Unexpended balance of appropriations (Exhibit 14)	<u>1,296,407</u>	
Budget deficit		(305,233)
Decrease in nonspendable fund balance		<u>122,616</u>
Unassigned fund balance, ending		<u><u>\$ 867,584</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, 2014, 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 first paragraph above 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 follow up on the following matters as reported last year.

Sewer Fund Reporting

The Sewer Fund ended the year with a deficit of \$10,425, which was a \$13,286 decrease from the prior year's deficit. We are pleased to see that the Town is addressing this situation, and we recommend that the Sewer Fund operations continue to be closely monitored to erase the deficit, and set rates that will cover annual costs.

Ambulance Billing and Receivables

In last year's report, we noted that the Town was using an outside billing service to bill for its ambulance runs, collect payments, and remit them to the Town, and that there was a lack of reconciliation between the billings, collections and adjustments within the Town's records, and that the only revenue being recognized for ambulance fees was the amount being collected. We did not find much change in this area in 2014, but did find that the Town is planning a change in billing services in 2015, to one that provides more detailed reporting, which should make it easier to record all ambulance related activity in the general ledger.

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 1, 2015

Roberts & Greene, PLLC

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