

TOWN OF HOPKINTON, NEW HAMPSHIRE

FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2016

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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, 2016, 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, 2016, and the respective changes in financial position thereof and budget to actual comparison for the General Fund, 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 pension related schedules and the schedule of funding progress for other postemployment benefits on pages 32 – 35 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 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 and individual fund schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

August 10, 2017

Robert A. Greene, PLLC

BASIC FINANCIAL STATEMENTS

EXHIBIT 1
TOWN OF HOPKINTON, NEW HAMPSHIRE
Statement of Net Position
December 31, 2016

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 10,560,418
Investments	1,781,879
Intergovernmental receivable	13,490
Other receivables, net of allowance for uncollectibles	1,259,586
Prepaid items	90,121
Tax deeded property held for resale	2,015
Capital assets, not being depreciated:	
Land	8,410,469
Construction in progress	28,102
Intangible assets	323,900
Capital assets, net of accumulated depreciation:	
Land improvements	330,348
Buildings and building improvements	6,618,214
Machinery, vehicles and equipment	1,390,516
Infrastructure	5,899,173
Total assets	<u>36,708,231</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pensions	<u>1,285,597</u>
 LIABILITIES	
Accounts payable	67,289
Accrued payroll and benefits	66,192
Accrued interest payable	74,608
Intergovernmental payable	7,176,884
Performance and escrow deposits	100
Noncurrent obligations:	
Due within one year:	
Bonds and notes payable	716,122
Accrued landfill postclosure care costs	25,000
Due in more than one year:	
Bonds and notes payable	5,462,430
Compensated absences payable	204,325
Other postemployment benefits payable	152,843
Accrued landfill postclosure care costs	250,000
Net pension liability	5,055,916
Total liabilities	<u>19,251,709</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred amounts related to pensions	138,821
Unearned revenue	6,178
Total deferred inflows of resources	<u>144,999</u>
 NET POSITION	
Net investment in capital assets	19,154,504
Restricted for:	
Perpetual care:	
Nonexpendable	524,826
Expendable	267,841
Other purposes	2,232,838
Unrestricted	(3,582,889)
Total net position	<u>\$ 18,597,120</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, 2016

		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	\$ 1,566,782	\$ 9,808	\$ -	\$ -	\$ (1,556,974)
Public safety	2,126,194	443,828	236,709	-	(1,445,657)
Highways and streets	2,452,885	-	-	190,630	(2,262,255)
Sanitation	779,485	548,914	24,827	-	(205,744)
Health	20,963	-	-	-	(20,963)
Welfare	124,339	-	-	-	(124,339)
Culture and recreation	743,019	83,514	-	-	(659,505)
Conservation	38,101	-	400	-	(37,701)
Economic development	247	-	-	-	(247)
Interest on long-term debt	169,727	-	-	-	(169,727)
Capital outlay	17,028	-	-	-	(17,028)
Total governmental activities	<u>\$ 8,038,770</u>	<u>\$ 1,086,064</u>	<u>\$ 261,936</u>	<u>\$ 190,630</u>	<u>(6,500,140)</u>
General revenues:					
Property taxes					4,047,898
Other taxes					319,313
Licenses and permits					1,159,621
Grants and contributions not restricted to specific programs					289,625
Miscellaneous					196,934
Total general revenues					<u>6,013,391</u>
Change in net position					(486,749)
Net position, beginning					19,083,869
Net position, ending					<u>\$ 18,597,120</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, 2016

	General	Roads, Bridges & Culverts	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 8,194,118	\$ 1,759,300	\$ 607,000	\$ 10,560,418
Investments	-	-	1,781,879	1,781,879
Receivables, net of allowance for uncollectibles:				
Taxes	869,934	-	-	869,934
Accounts	124,618	-	45,828	170,446
Intergovernmental	13,490	-	-	13,490
Interfund receivable	18,923	-	14,039	32,962
Prepaid items	90,121	-	-	90,121
Tax deeded property held for resale	2,015	-	-	2,015
Total assets	<u>\$ 9,313,219</u>	<u>\$ 1,759,300</u>	<u>\$ 2,448,746</u>	<u>\$ 13,521,265</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 66,710	\$ -	\$ 579	\$ 67,289
Accrued salaries and benefits	65,000	-	1,192	66,192
Intergovernmental payable	7,176,884	-	-	7,176,884
Interfund payable	11,873	-	21,089	32,962
Escrow and performance deposits	-	-	100	100
Total liabilities	<u>7,320,467</u>	<u>-</u>	<u>22,960</u>	<u>7,343,427</u>
Deferred inflows of resources:				
Deferred revenue	<u>605,533</u>	<u>-</u>	<u>9,282</u>	<u>614,815</u>
Fund balances:				
Nonspendable	92,136	-	744,717	836,853
Restricted	-	1,759,300	521,488	2,280,788
Committed	-	-	1,150,299	1,150,299
Unassigned	1,295,083	-	-	1,295,083
Total fund balances	<u>1,387,219</u>	<u>1,759,300</u>	<u>2,416,504</u>	<u>5,563,023</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,313,219</u>	<u>\$ 1,759,300</u>	<u>\$ 2,448,746</u>	<u>\$ 13,521,265</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, 2016

Total fund balances of governmental funds (Exhibit 3)		\$ 5,563,023
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	\$ 64,454,847	
Less accumulated depreciation	<u>(41,454,125)</u>	
		23,000,722
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	\$ (32,962)	
Payables	<u>32,962</u>	
		-
Revenues that are not available to pay for current period expenditures are deferred in the funds.		
Deferred tax revenue	\$ 492,371	
Deferred ambulance revenue	22,661	
Deferred landfill revenue	8,821	
Deferred grant revenue	11,775	
Deferred payments in lieu of taxes	63,727	
Deferred sewer charges	9,282	
Unavailable elderly and welfare liens	<u>219,206</u>	
		827,843
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(74,608)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes outstanding	\$ 6,178,552	
Compensated absences payable	204,325	
Other postemployment benefits payable	152,843	
Accrued landfill postclosure care costs	275,000	
Net pension liability	<u>5,055,916</u>	
		(11,866,636)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	\$ 1,285,597	
Deferred inflows of resources related to pensions	<u>(138,821)</u>	
		1,146,776
Total net position of governmental activities (Exhibit 1)		<u><u>\$ 18,597,120</u></u>

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

EXHIBIT 5
TOWN OF HOPKINTON, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2016

	General	Roads, Bridges & Culverts	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 4,629,283	\$ -	\$ 7,725	\$ 4,637,008
Licenses, permits and fees	1,159,621	-	-	1,159,621
Intergovernmental	730,416	-	-	730,416
Charges for services	726,246	-	355,916	1,082,162
Miscellaneous	49,385	325	144,249	193,959
Total revenues	<u>7,294,951</u>	<u>325</u>	<u>507,890</u>	<u>7,803,166</u>
Expenditures:				
Current:				
General government	1,497,455	-	38,038	1,535,493
Public safety	1,583,271	-	80,229	1,663,500
Highways and streets	1,310,722	-	-	1,310,722
Sanitation	578,190	-	149,440	727,630
Health	20,963	-	-	20,963
Welfare	110,172	-	10,833	121,005
Culture and recreation	556,372	-	106,907	663,279
Conservation	34,692	-	3,409	38,101
Economic development	247	-	-	247
Debt service:				
Principal	497,505	-	18,600	516,105
Interest	153,112	-	863	153,975
Capital outlay	-	441,025	417,806	858,831
Total expenditures	<u>6,342,701</u>	<u>441,025</u>	<u>826,125</u>	<u>7,609,851</u>
Excess (deficiency) of revenues over (under) expenditures	<u>952,250</u>	<u>(440,700)</u>	<u>(318,235)</u>	<u>193,315</u>
Other financing sources (uses):				
Transfers in	50,982	-	613,666	664,648
Transfers out	(611,500)	-	(53,148)	(664,648)
Long-term debt issued	-	2,200,000	-	2,200,000
Total other financing sources and uses	<u>(560,518)</u>	<u>2,200,000</u>	<u>560,518</u>	<u>2,200,000</u>
Net change in fund balances	391,732	1,759,300	242,283	2,393,315
Fund balances, beginning	995,487	-	2,174,221	3,169,708
Fund balances, ending	<u>\$ 1,387,219</u>	<u>\$ 1,759,300</u>	<u>\$ 2,416,504</u>	<u>\$ 5,563,023</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, 2016

Net change in fund balances of governmental funds (Exhibit 5)		\$ 2,393,315
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capitalized capital outlay in the current period.		
Capitalized capital outlay	\$ 1,182,380	
Depreciation expense	<u>(1,816,523)</u>	
		(634,143)
The net effect of other transactions involving capital assets is to decrease net position.		(15,756)
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$ (664,648)	
Transfers out	<u>664,648</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	\$ (269,965)	
Change in deferred ambulance revenue	(6,765)	
Change in deferred landfill revenue	8,821	
Change in deferred grant revenue	11,775	
Change in deferred payment in lieu of taxes	(7,857)	
Change in deferred sewer charges	1,846	
Change in allowance for unavailable liens	<u>8,025</u>	
		(254,120)
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 bonds	\$ (2,200,000)	
Repayment of bond and note principal	498,965	
Repayment of capital lease principal	<u>18,600</u>	
		(1,682,435)
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	\$ (17,212)	
Increase in compensated absences payable	(10,098)	
Net increase in other postemployment benefits payable	(9,417)	
Decrease in accrued landfill postclosure care costs	<u>1,000</u>	
		(35,727)
Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employee contributions, is reported as pension expense.		
Town pension contributions	\$ 367,938	
Cost of benefits earned, net of employee contributions	<u>(625,821)</u>	
		(257,883)
Change in net position of governmental activities (Exhibit 2)		<u><u>\$ (486,749)</u></u>

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

EXHIBIT 7
TOWN OF HOPKINTON, NEW HAMPSHIRE
General Fund
Statement of Revenues, Expenditures and Changes in Unassigned Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 4,279,637	\$ 4,359,318	\$ 79,681
Licenses, permits and fees	1,074,900	1,159,621	84,721
Intergovernmental	781,065	730,416	(50,649)
Charges for services	744,700	726,246	(18,454)
Miscellaneous	49,100	49,385	285
Total revenues	<u>6,929,402</u>	<u>7,024,986</u>	<u>95,584</u>
EXPENDITURES			
Current:			
General government	1,542,854	1,497,455	45,399
Public safety	1,523,590	1,583,271	(59,681)
Highways and streets	1,275,818	1,310,722	(34,904)
Sanitation	653,388	578,190	75,198
Health	21,759	20,963	796
Welfare	109,691	110,172	(481)
Culture and recreation	608,037	591,064	16,973
Conservation	1	-	1
Economic development	500	247	253
Debt service:			
Principal	505,920	497,505	8,415
Interest on long-term debt	145,989	153,112	(7,123)
Interest on tax anticipation note	2,000	-	2,000
Total expenditures	<u>6,389,547</u>	<u>6,342,701</u>	<u>46,846</u>
Excess of revenues over expenditures	<u>539,855</u>	<u>682,285</u>	<u>142,430</u>
Other financing sources (uses):			
Transfers in	71,645	50,982	(20,663)
Transfers out	(611,500)	(611,500)	-
Total other financing sources and uses	<u>(539,855)</u>	<u>(560,518)</u>	<u>(20,663)</u>
Net change in fund balance	<u>\$ -</u>	121,767	<u>\$ 121,767</u>
Decrease in nonspendable fund balance		6,717	
Unassigned fund balance, beginning		1,658,970	
Unassigned fund balance, ending		<u>\$ 1,787,454</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, 2016

	Private Purpose Trust	Agency
Assets:		
Cash and cash equivalents	\$ 9,154	\$ 244,980
Investments	580,138	292,112
Total assets	589,292	537,092
Liabilities:		
Due to other governmental units	-	537,092
Net position:		
Held in trust for specific purposes	\$ 589,292	\$ -

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, 2016

	Private Purpose Trust
Additions:	
New funds	\$ 3,000
Investment earnings:	
Interest and dividends	15,928
Net change in fair value of investments	17,705
Total additions	<u>36,633</u>
Deductions:	
Trust distributions	<u>13,229</u>
Change in net position	23,404
Net position, beginning	<u>565,888</u>
Net position, ending	<u><u>\$ 589,292</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, 2016

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, 2016.

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, 2016

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
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

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.

Roads, Bridges and Culverts Fund – Reports as a Capital Project Fund and used to report the financial activity associated with the planning, design, rehabilitation and construction of existing town roads, bridges and culverts.

The Town also reports twelve nonmajor governmental funds.

Fiduciary Funds

The Town reports the following fiduciary funds:

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

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

I.C. Assets, Liabilities, and Net 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:

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

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

In the government-wide financial statements, outstanding debt is reported as liabilities. Other long-term liabilities include compensated absences, other postemployment benefits, accrued landfill postclosure care costs, and the net pension liability. These are 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; the rest of the permanent funds that is to be used for library and other purposes; and the unexpended bond proceeds in the Road, Bridges and Culverts Fund.
- 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, the balance of the library fund that can only be used for specific purposes per terms of endowments or State law and the unexpended bond proceeds in the Road, Bridges and Culverts Fund.
- Committed, representing the unrestricted balances of the special revenue and capital projects funds.
- Unassigned, representing the remaining balance of the General 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

II.A. 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 2016, none of the fund balance from 2015 was so used.

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.

II.B. 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)	\$ 7,075,968
Adjustments:	
Basis difference:	
Tax revenue deferred in the prior year	762,336
Tax revenue deferred in the current year	(492,371)
Per Exhibit 5 (GAAP basis)	<u>\$ 7,345,933</u>
Unassigned fund balance:	
Per Exhibit 7 (budgetary basis)	\$ 1,787,454
Adjustment:	
Basis difference:	
Deferred tax revenue, GAAP basis	(492,371)
Per Exhibit 3 (GAAP basis)	<u>\$ 1,295,083</u>

**TOWN OF HOPKINTON, NEW HAMPSHIRE
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III. Detailed Notes on Funds and Government-Wide Statements

III.A. Assets

III.A.1. Investments

As of December 31, 2016, the Town had the following investments:

U.S. Government Agency Bonds	\$ 293,820
Exchange Traded Funds	199,658
Mutual Funds	223,123
Preferred Stock	106,900
Common Stock	533,499
Corporate Bonds	378,417
New Hampshire Public Deposit Investment Pool	918,712
	<u>\$ 2,654,129</u>

The investments appear in the financial statements as follow:

Fund reporting level:	
Governmental funds - balance sheet (Exhibit 3)	\$1,781,879
Fiduciary funds - statement of fiduciary net position (Exhibit 8)	872,250
Total	<u>\$ 2,654,129</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

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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 2015 property taxes on April 22.

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, 2016, upon which the 2016 property tax levy was based was:

For the New Hampshire education tax	\$ 586,611,121
For all other taxes	\$ 613,929,921

The tax rates and amounts assessed for the year ended December 31, 2016 were as follow:

	Per \$1,000 of Assessed Valuation	
Municipal portion	\$7.09	\$ 4,355,400
School portion:		
State of New Hampshire	\$2.52	1,475,667
Local	\$21.07	12,937,683
County portion	\$2.87	1,759,755
Precinct portion:		
Contoocook Village	\$2.11	275,155
Hopkinton Village	\$0.40	15,429
Total property taxes assessed		<u>\$ 20,819,089</u>

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The following details the taxes receivable at year-end:

Property:	
Levy of 2016	\$751,604
Unredeemed (under tax lien):	
Levy of 2015	141,786
Levy of 2014	51,161
Levy of 2013	18,731
Levy of 2012	5,076
Levy of 2011	2,916
Levy of 2010	17,182
Levy of 2009	3,175
Land use change	18,900
Timber	9,403
Less: allowance for estimated uncollectible taxes	<u>(150,000)</u>
Net taxes receivable	<u><u>\$ 869,934</u></u>

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	\$ 196,640
Intergovernmental	13,490
Liens	219,206
Less: allowance for uncollectible amounts	<u>(245,400)</u>
Net total receivables	<u><u>\$ 183,936</u></u>

Deferred Revenue

Deferred revenue in the governmental funds consists of \$492,371 of taxes, \$9,282 of sewer charges, \$63,727 of payments in lieu of taxes, \$22,661 of ambulance related fees, \$8,821 of landfill revenue, \$11,775 of grant revenue deferred because they were not received within sixty days of year-end; and \$6,178 of prepaid taxes to be applied to the subsequent year's levy. In the Governmental Activities, the prepaid taxes are reported as unearned revenue.

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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
At cost:				
Not being depreciated:				
Land	\$ 8,410,469	\$ -	\$ -	\$ 8,410,469
Construction in progress	371,854	28,102	(371,854)	28,102
Intangible assets	323,900	-	-	323,900
Total capital assets not being depreciated	9,106,223	28,102	(371,854)	8,762,471
Being depreciated:				
Land improvements	1,147,328	-	-	1,147,328
Buildings and building improvements	8,821,989	25,412	(5,975)	8,841,426
Machinery, vehicles and equipment	3,754,842	512,530	(22,959)	4,244,413
Infrastructure	40,471,019	988,190	-	41,459,209
Total capital assets being depreciated	54,195,178	1,526,132	(28,934)	55,692,376
Total all capital assets	63,301,401	1,554,234	(400,788)	64,454,847
Less accumulated depreciation:				
Land improvements	(791,728)	(25,252)		(816,980)
Buildings and building improvements	(1,958,009)	(266,398)	1,195	(2,223,212)
Machinery, vehicles and equipment	(2,533,063)	(338,053)	17,219	(2,853,897)
Infrastructure	(34,367,980)	(1,186,820)	(5,236)	(35,560,036)
Total accumulated depreciation	(39,650,780)	(1,816,523)	13,178	(41,454,125)
Net book value, capital assets being depreciated	14,544,398	(290,391)	(15,756)	14,238,251
Net book value, all capital assets	\$ 23,650,621	\$ (262,289)	\$ (387,610)	\$ 23,000,722

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

Governmental activities:	
General government	\$ 2,904
Public safety	304,979
Highways and streets	1,401,893
Sanitation	46,184
Culture and recreation	60,563
Total depreciation expense	<u>\$ 1,816,523</u>

TOWN OF HOPKINTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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III.B. Liabilities

III.B.1. Intergovernmental Payable

The amount due to other governments at December 31, 2016 consists of the balance of the 2016-2017 district assessment due to the Hopkinton School District in the amount of \$7,176,884.

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, accrued landfill postclosure care costs, and the net pension liability.

Long-term liabilities currently outstanding are as follow:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at 12/31/2016	Current Portion
General obligation bonds/notes payable:						
Landfill closure	\$1,859,384	1998	2017	4.05	\$ 133,805	\$ 133,805
Open space (Beyer/Carson/Rollins)	\$761,500	2004	2020	4.31	200,000	50,000
Open space (Rice)	\$467,900	2005	2025	4.00	195,000	25,000
Open space (Ransmeier)	\$368,250	2006	2026	4.39	43,875	18,413
Open space (Myron)	\$279,837	2007	2020	3.97	106,726	23,229
Community well	\$350,000	2010	2020	3.20	140,000	35,000
Highway garage	\$530,566	2013	2023	2.21	371,396	53,057
Fire Station renovations	\$2,995,041	2014	2030	3.49	2,787,750	171,687
Roads, bridges and culverts	\$2,200,000	2016	2026	2.54	2,200,000	205,931
					<u>6,178,552</u>	<u>716,122</u>
Compensated absences payable					204,325	-
Other postemployment benefits payable					152,843	-
Accrued landfill postclosure care costs					275,000	25,000
Net pension liability					5,055,916	-
					<u>\$ 11,866,636</u>	<u>\$ 741,122</u>

This note continues on the following page.

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Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended December 31, 2016:

	General Obligation Bonds and Notes Payable	Capital Lease Payable	Compensated Absences Payable	OPEB Liability	Accrued Landfill Postclosure Care Costs	Net Pension Liability	Total
Balance, beginning	\$ 4,477,517	\$ 18,600	\$ 194,227	\$ 143,426	\$ 276,000	\$ 3,626,815	\$ 8,736,585
Additions	2,200,000	-	10,098	22,871	-	1,429,101	3,662,070
Reductions	(498,965)	(18,600)	-	(13,454)	(1,000)	-	(532,019)
Balance, ending	<u>\$ 6,178,552</u>	<u>\$ -</u>	<u>\$ 204,325</u>	<u>\$ 152,843</u>	<u>\$ 275,000</u>	<u>\$ 5,055,916</u>	<u>\$ 11,866,636</u>

Debt Service Requirements to Maturity

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

Year Ending December 31,	Principal	Interest	Total
2017	\$ 716,122	\$ 177,457	\$ 893,579
2018	583,881	166,801	750,682
2019	584,972	148,155	733,127
2020	593,484	129,954	723,438
2021	486,804	111,799	598,603
2022-2026	2,451,497	338,277	2,789,774
2027-2030	761,792	48,059	809,851
Totals	<u>\$ 6,178,552</u>	<u>\$ 1,120,502</u>	<u>\$ 7,299,054</u>

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, 2016, five bonds totaling \$2,037,486 have been issued of this authorization, leaving \$2,962,514 still unissued.

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

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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	\$ 18,923
Nonmajor	General	11,873
Nonmajor	Nonmajor	2,166
		<u>\$ 32,962</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 payment of land use change tax due to the Conservation Commission and other revenue due to the Pay-By-Bag Fund. The amount due to the Nonmajor Funds from other Nonmajor Funds represents Permanent Fund interest due to the Library Fund.

III.C.2. *Transfers*

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

The following 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	\$ -	\$ 611,500	\$ 611,500
Nonmajor Funds	50,982	2,166	53,148
	<u>\$ 50,982</u>	<u>\$ 613,666</u>	<u>\$ 664,648</u>

The transfers from the General Fund represent \$611,500 to the Expendable Trust Fund as voted by Town Meeting. The transfers from the Nonmajor Funds represent \$15,000 from the Library

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Fund to the General Fund for interest, and \$35,982 from the Pay-by-Bag Fund to the General Fund as voted; and \$2 representing earnings on library trust funds paid to the Library Fund.

III.D. Equity

III.D.1. Components of Fund Balance

Fund balance is categorized in the following components as described in Note I.C.4.:

	General Fund	Bridges, Roads & Culverts Fund	Nonmajor Funds
Nonspendable:			
Endowments	\$ -	\$ -	\$ 744,717
Prepaid items	90,121	-	-
Tax deeded property	2,015	-	-
Total nonspendable	<u>92,136</u>	<u>-</u>	<u>744,717</u>
Restricted:			
General government	-	-	267,841
Welfare	-	-	152,564
Culture and recreation	-	-	101,083
Capital outlay	-	1,759,300	-
Total restricted	<u>-</u>	<u>1,759,300</u>	<u>521,488</u>
Committed:			
Public safety	-	-	102,815
Sanitation	-	-	160,513
Welfare	-	-	35,019
Culture and recreation	-	-	74,992
Conservation	-	-	79,963
Capital outlay	-	-	696,997
Total committed	<u>-</u>	<u>-</u>	<u>1,150,299</u>
Unassigned	1,295,083	-	-
Total fund balance	<u>\$ 1,387,219</u>	<u>\$ 1,759,300</u>	<u>\$ 2,416,504</u>

III.D.2. Restricted Net Position

The government-wide statement of net position includes restricted net position of \$792,667 for perpetual care, and \$473,538 for library and welfare representing public trust funds reported as restricted to reflect purpose restrictions in trust indentures, and library funds restricted in accordance with State law.

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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 provided statutory workers' compensation coverage, \$2,000,000 for each liability loss and various amounts of coverage for property losses. Contributions billed for 2016 to be recorded as an insurance expenditure/expense totaled \$73,364 for property/liability and \$71,032 for workers' compensation. In addition, a premium holiday was given to the Town for worker's compensation in the amount of \$71,207. A refund due to the Town in the amount of \$58,659 was applied to the 2016 premiums due. 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 at www.nhrs.org or 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% of gross wages, respectively. The rates of contribution from the Town were 26.38% for police, 29.16% for fire personnel, and 11.17% for other employees, which are actuarially determined to generate an amount, that when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer

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contributions from the Town during the years 2014, 2015 and 2016 were \$356,384, \$350,050 and \$367,709, respectively. The amounts are paid on a monthly basis as due.

Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At December 31, 2016, the Town reported a liability of \$5,055,916 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities and school districts, actuarially determined. As of June 30, 2016, the Town's proportion was 0.0951%, which was an increase of 0.0035% from its proportion measured as of June 30, 2015.

For the year 2016, the Town recognized pension expense of \$625,821. At year-end, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 158,418	\$ 74,977
Net differences between projected and actual earnings on pension plan investments	316,324	-
Changes in assumptions	622,223	-
Differences between expected and actual experience	14,050	63,844
Town contributions subsequent to the measurement date	174,582	-
	<u>\$ 1,285,597</u>	<u>\$ 138,821</u>

The Town reported \$174,582 as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year 2017.

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Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follow:

Year Ended <u>December 31,</u>	
2017	\$ 196,856
2018	196,856
2019	304,886
2020	259,719
2021	13,877
	<u>\$ 972,194</u>

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	5.6% average, including inflation
Investment rate of return	7.25% per year

Mortality rates were based on the RP-2014 Mortality Table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 to June 30, 2015.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of net pension liability	\$6,496,508	\$5,055,916	\$3,861,174

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Other actuarial assumptions, as well as detailed information about the pension plan's fiduciary net position, is available in the separately issued NHRS report.

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, 2016, there were ten retirees with eight spouses, and thirty-one active employees with twenty-eight 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 2016 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

TOWN OF HOPKINTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016 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)	\$ 22,871
Interest on Net OPEB Obligation (NOO)	-
Adjustment to ARC	-
Annual OPEB Cost (Expense)	<u>22,871</u>
Age Adjusted Contributions Made	<u>(13,454)</u>
Change in Net OPEB Obligation (NOO)	9,417
Net OPEB Obligation (NOO), beginning	<u>143,426</u>
Net OPEB Obligation (NOO), ending	<u><u>\$ 152,843</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 2016 and the preceding seven years (the first years of recording) were as follow:

Fiscal Year Ended	Annual OPEB Cost	Age Adjusted Contribution	Percentage of Annual Cost Contributed	Net OPEB Obligation
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
12/31/2015	\$23,384	\$12,385	52.96%	\$10,999
12/31/2016	\$22,871	\$13,454	58.83%	\$9,417

Funded Status and Funding Progress

The funded status of the plan as of December 31, 2016, is as follows:

Accrued Liability (AL)	\$152,930
Value of Plan Assets	-
Unfunded Accrued Liability (UAL)	<u><u>\$152,930</u></u>
Funded Ratio (Value of Plan Assets / AL)	0.00%
Covered Payroll of Active Plan Members	\$2,025,249
UAL as a Percentage of Covered Payroll	7.55%

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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 2016 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
Schedule of the Town's Proportionate Share of the Net Pension Liability
New Hampshire Retirement System

For the year ended December 31,	Town's proportion of net pension liability	Town's proportionate share of the net pension liability	Town's covered- employee payroll	Town's proportionate share of the net pension liability as a percentage of covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2014	0.0944%	\$3,542,092	\$2,053,126	172.52%	66.3%
2015	0.0916%	\$3,626,825	\$1,962,243	184.83%	65.5%
2016	0.0951%	\$5,055,916	\$2,025,249	249.64%	58.3%

The note to the required supplementary information is an integral part of this schedule.

EXHIBIT 11
TOWN OF HOPKINTON, NEW HAMPSHIRE
Schedule of the Town's Pension Contributions
New Hampshire Retirement System

For the year ended December 31,	Contractually required contribution	Contribution in relation to the contractually required contribution	Contribution deficiency	Town's covered- employee payroll	Contributions as a percentage of covered- employee payroll
2014	\$356,384	(\$356,384)	\$ -	\$2,053,126	17.36%
2015	\$350,050	(\$350,050)	\$ -	\$1,962,243	17.84%
2016	\$368,038	(\$368,038)	\$ -	\$2,025,249	18.17%

The note to the required supplementary information is an integral part of this schedule.

EXHIBIT 12
TOWN OF HOPKINTON, NEW HAMPSHIRE
Other Postemployment Benefits
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2009	\$ -	\$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%
12/31/2015	\$ -	\$156,301	\$156,301	0.00%	\$1,962,243	7.97%
12/31/2016	\$ -	\$152,930	\$152,930	0.00%	\$2,025,249	7.55%

The note to the required supplementary information is an integral part of this schedule.

**TOWN OF HOPKINTON, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016**

The Schedule of the Town's Proportionate Share of the Net Pension Liability, the Schedule of the Town's Pension Contributions, and the Schedule of Funding Progress for the Other Postemployment Benefits are meant to present related information for ten years. Because this is the second year that the Town has presented the pension schedules, and the eighth year that the Town has presented its OPEB information, only three and eight years, respectively, are presented. An additional year's information will be added each year until there are ten years shown.

COMBINING AND INDIVIDUAL FUND SCHEDULES

EXHIBIT 13
TOWN OF HOPKINTON, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2016

	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	Permanent Fund	Total
ASSETS													
Cash and cash equivalents	\$ 90,078	\$ 33,659	\$ 22,451	\$ 77,338	\$ 92,660	\$ 14,099	\$ 2,534	\$ 32,427	\$ 68,391	\$ 78,911	\$ 76,225	\$ 18,227	\$ 607,000
Investments	2,621	-	-	-	-	-	-	-	-	-	623,979	1,155,279	1,781,879
Accounts receivable, net of allowance for uncollectibles	-	-	-	-	3,818	41,241	-	-	769	-	-	-	45,828
Interfund receivable	2,166	-	-	2,625	9,248	-	-	-	-	-	-	-	14,039
Total assets	<u>\$ 94,865</u>	<u>\$ 33,659</u>	<u>\$ 22,451</u>	<u>\$ 79,963</u>	<u>\$ 105,726</u>	<u>\$ 55,340</u>	<u>\$ 2,534</u>	<u>\$ 32,427</u>	<u>\$ 69,160</u>	<u>\$ 78,911</u>	<u>\$ 700,204</u>	<u>\$ 1,173,506</u>	<u>\$ 2,448,746</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES													
Liabilities:													
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 579	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	579
Accrued salaries and benefits	-	130	-	-	-	1,062	-	-	-	-	-	-	1,192
Interfund payable	-	2,858	-	-	-	12,081	306	-	396	75	3,207	2,166	21,089
Escrow and performance deposits	-	-	-	-	-	-	100	-	-	-	-	-	100
Total liabilities	<u>-</u>	<u>2,988</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,722</u>	<u>406</u>	<u>-</u>	<u>396</u>	<u>75</u>	<u>3,207</u>	<u>2,166</u>	<u>22,960</u>
Deferred inflows of resources:													
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,282</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,282</u>
Fund balances:													
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	744,717	744,717
Restricted	94,865	-	-	-	-	-	-	-	-	-	-	426,623	521,488
Committed	-	30,671	22,451	79,963	105,726	32,336	2,128	32,427	68,764	78,836	696,997	-	1,150,299
Total fund balances	<u>94,865</u>	<u>30,671</u>	<u>22,451</u>	<u>79,963</u>	<u>105,726</u>	<u>32,336</u>	<u>2,128</u>	<u>32,427</u>	<u>68,764</u>	<u>78,836</u>	<u>696,997</u>	<u>1,171,340</u>	<u>2,416,504</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 94,865</u>	<u>\$ 33,659</u>	<u>\$ 22,451</u>	<u>\$ 79,963</u>	<u>\$ 105,726</u>	<u>\$ 55,340</u>	<u>\$ 2,534</u>	<u>\$ 32,427</u>	<u>\$ 69,160</u>	<u>\$ 78,911</u>	<u>\$ 700,204</u>	<u>\$ 1,173,506</u>	<u>\$ 2,448,746</u>

EXHIBIT 14
TOWN OF HOPKINTON, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2016

	Special Revenue Funds										Capital Projects Fund	Permanent Fund	Total
	Library	Recreation Revolving	Recycling Revolving	Conservation Commission	Pay-by-Bag	Sewer	Senior Center Rental	Drug Forfeiture and Seizure	Public Safety Revolving	Other	Expendable Trust		
REVENUES													
Taxes	\$ -	\$ -	\$ -	\$ 7,725	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,725
Charges for services	6,669	76,845	-	-	83,614	113,905	-	-	74,883	-	-	-	355,916
Miscellaneous	17,439	(1,107)	12	38	41	3	702	16	32	60,061	3,325	63,687	144,249
Total revenues	24,108	75,738	12	7,763	83,655	113,908	702	16	74,915	60,061	3,325	63,687	507,890
EXPENDITURES													
Current:													
General government	-	-	-	-	-	-	-	-	-	-	6,942	31,096	38,038
Public safety	-	-	-	-	-	-	-	-	64,590	4,908	10,731	-	80,229
Sanitation	-	-	-	-	32,794	116,646	-	-	-	-	-	-	149,440
Welfare	-	-	-	-	-	-	-	-	-	10,833	-	-	10,833
Culture and recreation	421	74,142	-	-	-	-	843	-	-	23,209	8,292	-	106,907
Conservation	-	-	-	3,409	-	-	-	-	-	-	-	-	3,409
Debt service:													
Principal	-	-	-	-	-	-	-	-	-	-	18,600	-	18,600
Interest	-	-	-	-	-	-	-	-	-	-	863	-	863
Capital outlay	-	-	-	-	-	-	-	798	-	-	417,008	-	417,806
Total expenditures	421	74,142	-	3,409	32,794	116,646	843	798	64,590	38,950	462,436	31,096	826,125
Excess (deficiency) of revenues over (under) expenditures	23,687	1,596	12	4,354	50,861	(2,738)	(141)	(782)	10,325	21,111	(459,111)	32,591	(318,235)
Other financing sources (uses):													
Transfers in	2,166	-	-	-	-	-	-	-	-	-	611,500	-	613,666
Transfers out	(15,000)	-	-	-	(35,982)	-	-	-	-	-	-	(2,166)	(53,148)
Total other financing sources and uses	(12,834)	-	-	-	(35,982)	-	-	-	-	-	611,500	(2,166)	560,518
Net change in fund balances	10,853	1,596	12	4,354	14,879	(2,738)	(141)	(782)	10,325	21,111	152,389	30,425	242,283
Fund balances, beginning	84,012	29,075	22,439	75,609	90,847	35,074	2,269	33,209	58,439	57,725	544,608	1,140,915	2,174,221
Fund balances, ending	\$ 94,865	\$ 30,671	\$ 22,451	\$ 79,963	\$ 105,726	\$ 32,336	\$ 2,128	\$ 32,427	\$ 68,764	\$ 78,836	\$ 696,997	\$ 1,171,340	\$ 2,416,504

EXHIBIT 15
TOWN OF HOPKINTON, NEW HAMPSHIRE
General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2016

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 4,032,937	\$ 4,039,873	\$ 6,936
Land use change	15,000	33,246	18,246
Timber	20,000	24,594	4,594
Payments in lieu of taxes	106,700	128,011	21,311
Interest and penalties on delinquent taxes	105,000	133,594	28,594
Total taxes	<u>4,279,637</u>	<u>4,359,318</u>	<u>79,681</u>
Licenses, permits and fees:			
Business licenses and permits	1,200	676	(524)
Motor vehicle permits	1,050,000	1,132,509	82,509
Other	23,700	26,436	2,736
Total licenses, permits and fees	<u>1,074,900</u>	<u>1,159,621</u>	<u>84,721</u>
Intergovernmental:			
State sources:			
Meals and rooms distributions	289,625	289,625	-
Highway block grant	190,630	190,630	-
State and federal forest land	400	400	-
Flood control reimbursement	269,909	215,715	(54,194)
Landfill grant	30,500	24,827	(5,673)
Witness fees	-	60	60
Federal sources:			
Police grants	1	9,159	9,158
Total intergovernmental	<u>781,065</u>	<u>730,416</u>	<u>(50,649)</u>
Charges for services:			
Income from departments	<u>744,700</u>	<u>718,301</u>	<u>(26,399)</u>
Miscellaneous:			
Sale of property	1,000	7,945	6,945
Interest on investments	-	7,342	7,342
Rent of property	-	9,017	9,017
Fines and forfeits	-	220	220
Insurance dividends and reimbursements	-	1,785	1,785
Contributions and donations	-	1,005	1,005
Other	48,100	30,016	(18,084)
Total miscellaneous	<u>49,100</u>	<u>57,330</u>	<u>8,230</u>
Other financing sources:			
Transfers in:			
Nonmajor funds	<u>71,645</u>	<u>50,982</u>	<u>(20,663)</u>
Total revenues and other financing sources	<u><u>\$ 7,001,047</u></u>	<u><u>\$ 7,075,968</u></u>	<u><u>\$ 74,921</u></u>

EXHIBIT 16
TOWN OF HOPKINTON, NEW HAMPSHIRE
General Fund
Schedule of Appropriations and Expenditures
For the Year Ended December 31, 2016

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance Positive (Negative)</u>
Current:			
General government:			
Executive	\$ 252,909	\$ 250,076	\$ 2,833
Election and registration	214,712	208,544	6,168
Financial administration	112,440	111,070	1,370
Revaluation of property	70,200	66,179	4,021
Legal	25,000	19,634	5,366
Personnel administration	671,152	651,971	19,181
Planning and zoning	106,680	105,537	1,143
Cemeteries	16,397	10,347	6,050
Insurance, not otherwise allocated	73,364	74,097	(733)
Total general government	<u>1,542,854</u>	<u>1,497,455</u>	<u>45,399</u>
Public safety:			
Police	661,876	630,036	31,840
Ambulance	600,652	610,837	(10,185)
Fire	261,061	330,558	(69,497)
Emergency management	1	11,840	(11,839)
Total public safety	<u>1,523,590</u>	<u>1,583,271</u>	<u>(59,681)</u>
Highways and streets:			
Public works	529,978	583,809	(53,831)
Highways and streets	743,500	724,593	18,907
Street lighting	2,340	2,320	20
Total highways and streets	<u>1,275,818</u>	<u>1,310,722</u>	<u>(34,904)</u>
Sanitation:			
Transfer station	608,517	546,850	61,667
Solid waste clean-up	31,801	23,847	7,954
Community wells	13,070	7,493	5,577
Total sanitation	<u>653,388</u>	<u>578,190</u>	<u>75,198</u>
Health:			
Animal control	7,084	6,288	796
Health and welfare agencies	14,675	14,675	-
Total health	<u>21,759</u>	<u>20,963</u>	<u>796</u>
Welfare:			
Administration	59,691	60,230	(539)
Vendor payments	50,000	49,942	58
Total welfare	<u>109,691</u>	<u>110,172</u>	<u>(481)</u>
			(continued)

EXHIBIT 16 (continued)
TOWN OF HOPKINTON, NEW HAMPSHIRE
General Fund
Schedule of Appropriations and Expenditures
For the Year Ended December 31, 2016

	Appropriations	Expenditures	Variance Positive (Negative)
Culture and recreation:			
Parks and recreation	328,320	307,100	21,220
Public library	276,467	281,060	(4,593)
Patriotic purposes	3,250	2,904	346
Total culture and recreation	<u>608,037</u>	<u>591,064</u>	<u>16,973</u>
Conservation	<u>1</u>	<u>-</u>	<u>1</u>
Economic development	<u>500</u>	<u>247</u>	<u>253</u>
Debt service:			
Principal	505,920	497,505	8,415
Interest on long-term debt	145,989	153,112	(7,123)
Interest on tax anticipation note	2,000	-	2,000
Total debt service	<u>653,909</u>	<u>650,617</u>	<u>3,292</u>
Other financing uses:			
Transfers out:			
Nonmajor funds	<u>611,500</u>	<u>611,500</u>	<u>-</u>
Total appropriations, expenditures and other financing uses	<u>\$ 7,001,047</u>	<u>\$ 6,954,201</u>	<u>\$ 46,846</u>

EXHIBIT 17
TOWN OF HOPKINTON, NEW HAMPSHIRE
General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2016

Unassigned fund balance, beginning		\$ 1,658,970
Budget summary:		
Revenue surplus (Exhibit 15)	\$ 74,921	
Unexpended balance of appropriations (Exhibit 16)	<u>46,846</u>	
Budget surplus		121,767
Decrease in nonspendable fund balance		<u>6,717</u>
Unassigned fund balance, ending		<u><u>\$ 1,787,454</u></u>