

***TOWN OF HOPKINTON, RHODE ISLAND  
ANNUAL FINANCIAL STATEMENTS***

***For the Fiscal Year Ended  
June 30, 2013***

**TOWN OF HOPKINTON, RHODE ISLAND**  
**ANNUAL FINANCIAL STATEMENTS**  
*For the Fiscal Year Ended June 30, 2013*

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CERTIFIED PUBLIC ACCOUNTANTS

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### ***Independent Auditor's Report***

To the Honorable President and  
Members of the Town Council  
Town of Hopkinton, Rhode Island

#### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Hopkinton, Rhode Island, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Hopkinton, Rhode Island's basic financial statements, as listed in the table of contents.

#### ***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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Hopkinton, Rhode Island, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows 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 Management's Discussion and Analysis, budgetary comparison information, and supplementary pension information on pages 4 through 12 and pages 43 through 46 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 for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hopkinton, Rhode Island's basic financial statements. The combining nonmajor fund financial statements and tax collector's annual report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and tax collector's annual report are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements or to the basic 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 fund financial statements and tax collector's annual report are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Statistical Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2013 on our consideration of the Town of Hopkinton, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Hopkinton, Rhode Island's internal control over financial reporting and compliance.

*Bacon & Company, LLC*

Warwick, Rhode Island  
November 25, 2013

## **TOWN OF HOPKINTON MANAGEMENT'S DISCUSSION AND ANALYSIS**

Management of the Town of Hopkinton provides this Management Discussion and Analysis of the Town of Hopkinton's Annual Financial Report for the readers of the Town's financial statements. This narrative overview and analysis of the financial statements of the Town of Hopkinton is for fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the additional information that is furnished in the Town's financial statements, which follow.

### **FINANCIAL HIGHLIGHTS**

- At the end of the current fiscal year, total fund balance for the General Fund was \$5,114,497 or 20.86% of total 2013 budgeted revenues. This is an increase of \$554,300 from the prior year total fund balance.
- The total unassigned fund balance of the General Fund is \$4,655,353 or 18.99% of total 2013 budgeted revenues. This is an increase of \$799,761 from the prior year unassigned fund balance.
- The total assigned, committed, restricted or nonspendable fund balance of the General Fund is \$459,144. This is a decrease of \$245,461 from the prior year total assigned, committed, restricted or nonspendable fund balance.
- The Town General Fund ended fiscal year 2013 with a budgetary operating surplus of \$565,517.
- The total bonded debt amount of the Town of Hopkinton decreased by \$160,071.
- As reported in the government wide financial statements, the assets of the Town of Hopkinton exceeded its liabilities at the close of the most recent fiscal year by \$10,186,431. The Town's capital asset base has been developed from both current operations and debt. The Town has recorded its property and equipment at original values in order to insure proper asset management.
- The Town's total net position increased by \$760,313 for the fiscal year ended June 30, 2013.

### **Overview of the Financial Statements**

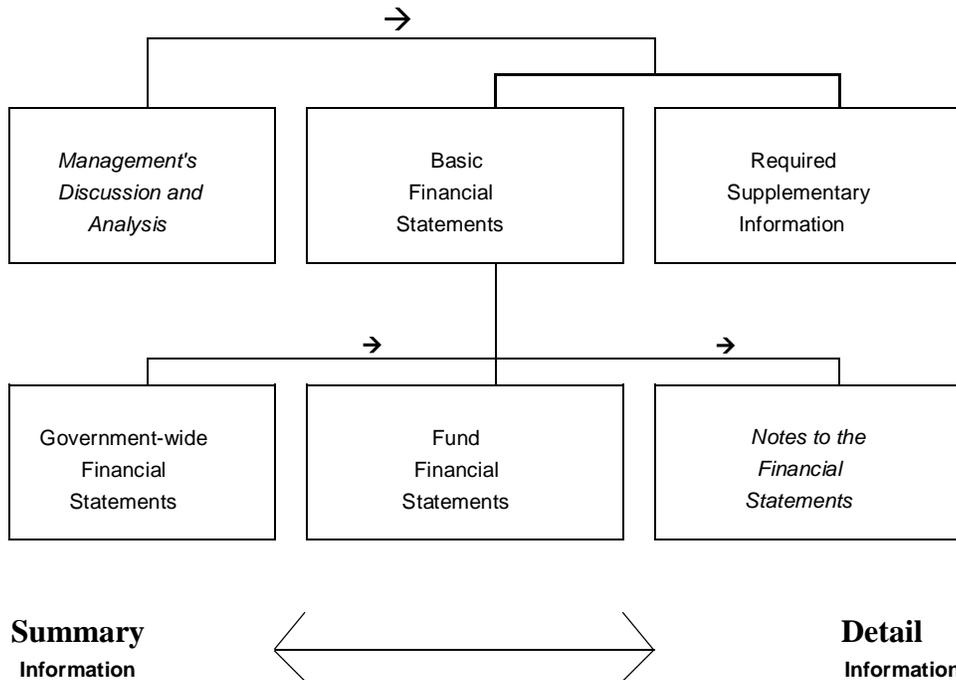
This discussion and analysis is intended to serve as an introduction to the Town's annual audit report. The financial section of this report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and other supplementary information that includes combining statements for non-major governmental funds.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall status.
- The remaining statements are fund financial statements that focus on individual parts of the Town government, reporting the Town's operations in more detail than the government-wide statements.

- ✓ The *governmental funds* statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
- ✓ *Proprietary fund* statements offer short and long term financial information about the activities the government operates like businesses, such as the water system.
- ✓ *Fiduciary Fund* statements provide information about assets that are held by the Town as a trustee or agent for the benefit of someone or something other than the Town itself. The Town cannot use these assets to support its own programs.

The financial statements also include notes that provide more detailed data about some of the information in the financial statements. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and how they relate to one another. In addition to these required elements, we have included a section with combining statements that provide details about our non-major governmental funds, which are added together and presented in a single column in the basic financial statements.

Figure A-1  
Required Components of  
Town of Hopkinton's Basic Financial Report



**Figure A- 2**

**Major Features of the Town of Hopkinton’s Government-Wide and Fund Financial Statements**

	Government- Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Town government (except fiduciary funds)	The activities of the Town that are not proprietary or fiduciary, such as Police and DPW.	Activities the Town operates similar to private businesses such as the water system.	Instances in which the Town is the trustee or agent for someone else’s resources.
Required financial Statements	Statement of Net Position; Statement of Activities	Balance Sheet, Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; Statement of Cash Flows	Statement of Fiduciary Net Position; Statement of Changes in Fiduciary Net Position
Accounting Basis & Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Assets/ Liability Information	All assets and liabilities both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Town’s funds do not currently contain capital assets, although they can
Type of inflow/ Outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the Town’s financial statements, including the portion of the Town government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

**Government-wide financial statements** – The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government’s assets and liabilities. All of the current year’s revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Town’s *net position* and how they have changed. Net position – the difference between the Town’s assets and liabilities – is one way to measure the Town’s financial health, or position.

- Over time, increases or decreases in the Town’s net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Town you need to consider additional non-financial factors such as changes in the Town’s property tax base and the condition of the Town’s roads.

The government-wide financial statements of the Town are divided into three categories.

- *Governmental activities* – Most of the Town’s basic services are included here, such as the public safety, public works and general administration. Property taxes, charges for services and state funding finance most of these activities.
- *Business-Type activities* - The Town operates a Water Fund which accounts for the purchase of water from the Town of Richmond, which it sells to Town users.
- *Component units* – The Land Trust is deemed to be a component unit.

**Fund Financial Statements** – A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual parts of the Town government, reporting the Town’s operations in more detail than the government-wide statements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. It is important to note that these fund categories use different accounting approaches and should be interpreted differently.

**Governmental Funds** – Most of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the government fund statements focus on near-term inflows and outflows of spendable resources. They also focus on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government’s near-term financing requirement.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities.

The basic governmental fund financial statements are presented on pages 15 through 18 of this report.

**Proprietary Funds** – The Town maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town has one enterprise fund. A brief description follows:

Hopkinton Water Supply – the Town has a municipally owned water system. It buys water from the Richmond Water Supply Board and bills the recipient waterline residents.

The basic proprietary fund financial statements are presented on pages 19 through 22.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The Town had no fiduciary funds as of June 30, 2013.

**Notes to Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

The notes of the financial statements are presented on pages 23 through 42.

**Other Information** – **In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*.** This section includes budgetary comparison schedules, which include a reconciliation between the changes in the statutory fund balance for budgetary purposes and the changes in fund balances for the General Fund as presented in the governmental fund financial statements. **Required supplementary information follow the notes to the financial statements.**

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Analysis of the Town of Hopkinton's Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Hopkinton, assets exceeded liabilities by \$10,186,431 as of June 30, 2013.

In regard to the Town's net position (42.6%) consists of its investments in capital assets such as land, buildings and improvements, motor vehicles, furniture and equipment and infrastructure, less any debt used to acquire these assets which is still outstanding. The Town uses these capital assets to provide services to its citizens. Consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves are highly unlikely to be used to liquidate these liabilities.

### TOWN OF HOPKINTON'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
Current and other assets	\$ 6,779,501	\$ 7,307,988	\$ 81,338	\$ 85,405	\$ 6,860,839	\$ 7,393,393
Capital Assets	<u>4,523,223</u>	<u>4,631,810</u>	<u>327,681</u>	<u>317,280</u>	<u>4,850,904</u>	<u>4,949,090</u>
Total Assets	11,302,724	11,939,798	409,019	402,685	11,711,743	12,342,483
Current Liabilities	585,500	603,815	13,527	13,196	599,027	617,011
Long term liabilities	<u>1,686,598</u>	<u>1,539,041</u>	<u>-0-</u>	<u>-0-</u>	<u>1,686,598</u>	<u>1,539,041</u>
	2,272,098	2,142,856	13,527	13,196	2,285,625	2,156,052
Net Position:						
Net investment in capital assets	3,894,231	4,017,295	327,681	317,280	4,221,912	4,334,575
Restricted	293,911	279,226			293,911	279,226
Unrestricted	<u>4,842,484</u>	<u>5,500,421</u>	<u>67,811</u>	<u>72,209</u>	<u>4,910,295</u>	<u>5,572,630</u>
Total net position	<u>\$ 9,030,626</u>	<u>\$ 9,796,942</u>	<u>\$ 395,492</u>	<u>\$ 389,489</u>	<u>\$ 9,426,118</u>	<u>\$ 10,186,431</u>

Of the Town's net position, \$279,226 (2.74%) represents resources that are subject to external restriction on how they may be used. Of this amount, \$28,306 is set aside for various capital projects.

### Change in Net Position

The total net position of the Town of Hopkinton increased by \$760,313 during fiscal year 2012-2013.

## Analysis of the Town of Hopkinton's Operations

The following analysis provides a summary of the Town's operations for the year ended June 30, 2013.

Governmental activities increased the Town's net assets by \$766,316 accounting for the Town's total increase in net assets, while business type activities decreased the Town's net assets by \$6,003.

### TOWN OF HOPKINTON'S CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
Revenues						
Program						
Charges for services	\$ 691,667	\$ 775,178	\$ 18,193	\$ 17,457	\$ 709,860	\$ 792,635
Operating/Capital grants and contribution	6,184,755	5,994,887			6,184,755	5,994,887
General revenues						
Property taxes	17,701,333	18,367,740			17,701,333	18,367,740
State Aid	201,609	213,595			201,609	213,595
Investment earnings	5,657	7,649	106	138	5,763	7,787
Miscellaneous	992	636			992	636
Total Revenues	24,786,013	25,359,685	18,299	17,595	24,804,312	25,377,280
Program Expenses						
General government	1,764,700	1,786,499			1,764,700	1,786,499
Recreation	283,243	290,856			283,243	290,856
Public safety	2,380,226	2,342,286			2,380,226	2,342,286
Public works	1,148,702	1,378,223			1,148,702	1,378,223
Social services	189,762	233,684			189,762	233,684
Education	18,042,864	18,489,003			18,042,864	18,489,003
Interest on long-term debt	89,553	72,818			89,553	72,818
Water Fund			23,922	23,598	23,922	23,598
Total Expenses	23,899,050	24,593,369	23,922	23,598	23,922,972	24,616,967
Special Item Contribution to Land Trust	(1,000,000)				(1,000,000)	
Change in net position	(113,037)	766,316	(5,623)	(6,003)	(118,660)	760,313
Net position beginning of year	9,143,663	9,030,626	401,115	395,492	9,544,778	9,426,118
Net position end of year	\$9,030,626	\$9,796,942	\$395,492	\$389,489	\$9,426,118	10,186,431

## Financial Analysis of the Town of Hopkinton's Funds

**Governmental Funds** – The focus of the Town of Hopkinton's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, 2013, the Town's governmental funds reported combined ending fund balances of \$6,359,345. The General Fund reported an unassigned fund balance of \$4,655,353 representing approximately 73.20% of total fund balance.

<b>Restricted/Committed/Assigned</b>	
<b>General fund balance:</b>	
Restricted	\$ 1,548
Committed	446,607
Assigned	<u>10,989</u>
<b>Total Nonspendable/Restricted/ Committed/Assigned Fund Balance</b>	<b><u>\$459,144</u></b>

**Proprietary Funds** – The Town of Hopkinton's proprietary fund statements provide the same type of information as presented in the government-wide financial statements, but in more detail.

Unrestricted net position of the Hopkinton Water Supply Fund is \$72,209.

### The Town of Hopkinton's General Fund Budgetary Items

The Town General Fund shows an operating surplus of \$565,517. The budget was in excess of \$24 million this amount is 2.3% of the budget projections by Town officials. The largest surplus was in the Charge for Services of \$239,571 more than anticipated.

### The Town of Hopkinton's Capital Assets

The Town of Hopkinton's investment in capital assets for its governmental and business-type activities amounts to \$4,949,090 net of accumulated depreciation at June 30, 2013. Included are land, buildings and improvements, motor vehicles, furniture and equipment, infrastructure, and construction in progress.

#### TOWN OF HOPKINTON'S CAPITAL ASSETS AT YEAR END NET OF ACCUMULATED DEPRECIATION

	Governmental		Business-type		Total	
	2012	2013	2012	2013	2012	2013
Land & Construct. in Progress	\$ 349,470	\$ 349,470	\$ 0	\$ 0	\$ 349,470	\$ 349,470
Buildings and improvements	2,136,587	2,083,667	0	0	2,136,587	2,083,667
Motor vehicles	323,738	528,981	0	0	323,738	528,981
Furniture and equipment	50,332	110,267	0	0	50,332	110,267
Infrastructure	1,663,096	1,559,425	327,681	317,280	1,990,777	1,876,705
<b>Total</b>	<b><u>\$4,523,223</u></b>	<b><u>\$4,631,810</u></b>	<b><u>\$327,681</u></b>	<b><u>\$317,280</u></b>	<b><u>\$4,850,904</u></b>	<b><u>\$4,949,090</u></b>

## The Town of Hopkinton Debt Administration

At the end of the current fiscal year, the Town of Hopkinton General Government had a total bonded debt of \$1,644,019.

### TOWN OF HOPKINTON'S OUTSTANDING DEBT AT YEAR END BONDS, NOTES AND CAPITALIZED LEASES PAYABLE

	Gov Activities	Total
Gen Obligation Bonds	\$ 1,644,019	\$1,644,019
Capital Leases Payable	56,044	56,044
Amortized Premium on Bond	14,054	14,054
<b>Totals</b>	<b>\$1,714,117</b>	<b>\$1,714,117</b>

The State of Rhode Island imposes a limit of 3 percent of the fair market value of all taxable town property on the general obligation debt that a municipality can issue. The Town of Hopkinton's limit is \$27,360,993 at year-end. The Town's outstanding general obligation debt subject to the limit is \$1,644,019 at year-end, which is \$25,716,974 under the State imposed limitation.

### Subsequent Fiscal Year 2013-2014 Budget and Tax Rates

The Town of Hopkinton's total general fund budget for fiscal year 13/14 is \$24,552,492, which reflects an increase of \$36,087 from the fiscal 12/13 budget. In the Town's 13/14 budget, \$18,524,639 or 75.45% is allocated for educational purposes and \$6,027,853 or 24.55% is budgeted for other purposes.

Of the \$18,524,639 budgeted for educational purposes, the State of Rhode Island has budgeted for fiscal year 13/14 to contribute \$5,521,254 to the Town's education expense and the Town is budgeted to contribute \$13,003,385.

The Town's tax rate for fiscal year 13/14 is \$19.77 per thousand for real estate and tangible personal property and \$21.18 per hundred for motor vehicles. The tax rate for fiscal year 12/13 was \$19.98 per thousand for real estate and tangible personal property and \$21.18 for motor vehicles.

### Request for Information

The financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the tax dollars received. If you have any questions about this report or need additional financial information, please contact the Finance Director, Hopkinton Thayer House, 482 Main Street, P O Box 139, Hopkinton, RI 02833.

**TOWN OF HOPKINTON, RHODE ISLAND**  
**Statement of Net Position**  
**June 30, 2013**

	<i>Primary Government</i>			<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>	<i>Land Trust</i>
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 5,576,488	\$ 70,313	\$ 5,646,801	\$ 171,230
Receivables:				
Property taxes, net of allowance for uncollectible accounts	900,996	-	900,996	-
Accounts receivable, user fees -net	-	15,092	15,092	-
Due from federal and state government	205,247	-	205,247	-
Due from component unit	436,857	-	436,857	-
Other	161,032	-	161,032	-
<b>Total current assets</b>	<b>7,280,620</b>	<b>85,405</b>	<b>7,366,025</b>	<b>171,230</b>
<b>Noncurrent assets:</b>				
Capital assets: (Note 5)				
Land and land rights	349,470	-	349,470	2,924,536
Construction in progress	-	-	-	19,275
Depreciable buildings, equipment and infrastructure, net	4,282,340	317,280	4,599,620	17,325
Other assets, net	27,368	-	27,368	-
<b>Total noncurrent assets</b>	<b>4,659,178</b>	<b>317,280</b>	<b>4,976,458</b>	<b>2,961,136</b>
<b>Total assets</b>	<b>11,939,798</b>	<b>402,685</b>	<b>12,342,483</b>	<b>3,132,366</b>
<b>Liabilities</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued expenses	201,031	13,196	214,227	2,915
Accrued interest payable	17,942	-	17,942	-
Due to primary government	-	-	-	436,857
Unearned revenue	24,296	-	24,296	-
Compensated absences payable	156,367	-	156,367	-
Long-term debt -due within one year (Note 6)	194,679	-	194,679	-
Other liabilities	9,500	-	9,500	-
<b>Total current liabilities</b>	<b>603,815</b>	<b>13,196</b>	<b>617,011</b>	<b>439,772</b>
<b>Noncurrent liabilities</b>				
Compensated absences payable	19,603	-	19,603	-
Long-term debt - due in more than one year (Note 6)	1,519,438	-	1,519,438	-
<b>Total noncurrent liabilities</b>	<b>1,539,041</b>	<b>-</b>	<b>1,539,041</b>	<b>-</b>
<b>Total liabilities</b>	<b>2,142,856</b>	<b>13,196</b>	<b>2,156,052</b>	<b>439,772</b>
<b>Net Position:</b>				
Net investment in capital assets	4,017,295	317,280	4,334,575	2,961,136
Restricted for:				
Community development	153,958	-	153,958	-
Historical records preservation	33,555	-	33,555	-
Public safety programs	47,886	-	47,886	-
Planning programs	1,404	-	1,404	-
Capital projects	28,306	-	28,306	-
Permanent fund:				
Expendable	6,781	-	6,781	-
Nonexpendable	7,336	-	7,336	-
Unrestricted	5,500,421	72,209	5,572,630	(268,542)
<b>Total net position</b>	<b>\$ 9,796,942</b>	<b>\$ 389,489</b>	<b>\$ 10,186,431</b>	<b>\$ 2,692,594</b>

*The accompanying notes are an integral part of the basic financial statements.*

**TOWN OF HOPKINTON, RHODE ISLAND**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2013**

<i>Functions/Programs</i>	<i>Expenses</i>	<i>Program Revenues</i>			<i>Net (Expense) Revenue and Changes in Net Position</i>			<i>Component Unit</i>
		<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>	<i>Primary Government</i>		<i>Land Trust</i>	
					<i>Governmental Activities</i>	<i>Business-Type Activities</i>		
<b>Primary government:</b>								
<b>Governmental Activities:</b>								
General government	\$ 1,786,499	\$ 405,773	\$ 89,140	\$ -	\$ (1,291,586)	\$ -	\$ (1,291,586)	\$ -
Public safety	2,342,286	222,911	112,987	26,255	(1,980,133)	-	(1,980,133)	-
Public works	1,378,223	57,726	-	-	(1,320,497)	-	(1,320,497)	-
Recreation	290,856	88,649	-	-	(202,207)	-	(202,207)	-
Public and social services	233,684	119	126,742	23,790	(83,033)	-	(83,033)	-
Education	18,489,003	-	5,615,973	-	(12,873,030)	-	(12,873,030)	-
Debt service, interest	72,818	-	-	-	(72,818)	-	(72,818)	-
<b>Total governmental activities</b>	<b>24,593,369</b>	<b>775,178</b>	<b>5,944,842</b>	<b>50,045</b>	<b>(17,823,304)</b>	<b>-</b>	<b>(17,823,304)</b>	<b>-</b>
<b>Business-Type Activities:</b>								
Water supply	23,598	17,457	-	-	-	(6,141)	(6,141)	-
<b>Total business-type activities</b>	<b>23,598</b>	<b>17,457</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,141)</b>	<b>(6,141)</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 24,616,967</b>	<b>\$ 792,635</b>	<b>\$ 5,944,842</b>	<b>\$ 50,045</b>	<b>(17,823,304)</b>	<b>(6,141)</b>	<b>(17,829,445)</b>	<b>-</b>
<b>Component Unit:</b>								
Land trust	\$ 5,893	\$ 712	\$ 3,054	\$ -	-	-	-	(2,127)
<b>General Revenues:</b>								
Property taxes					18,367,740	-	18,367,740	-
State aid and grants not restricted for a specific purpose					213,595	-	213,595	-
Investment earnings					7,649	138	7,787	426
Miscellaneous					636	-	636	-
<b>Total general revenues</b>					<b>18,589,620</b>	<b>138</b>	<b>18,589,758</b>	<b>426</b>
<b>Change in net position</b>					<b>766,316</b>	<b>(6,003)</b>	<b>760,313</b>	<b>(1,701)</b>
<b>Net position - beginning of year</b>					<b>9,030,626</b>	<b>395,492</b>	<b>9,426,118</b>	<b>2,694,295</b>
<b>Net position - end of year</b>					<b>\$ 9,796,942</b>	<b>\$ 389,489</b>	<b>\$ 10,186,431</b>	<b>\$ 2,692,594</b>

The accompanying notes are an integral part of the basic financial statements.

**TOWN OF HOPKINTON, RHODE ISLAND**

*Balance Sheet  
Governmental Funds  
June 30, 2013*

	<i>General Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>Assets</b>			
Cash	\$ 4,748,296	\$ 828,192	\$ 5,576,488
Receivables:			
Property taxes, net of allowance for doubtful accounts of \$160,907	900,996	-	900,996
Due from federal and state government	188,564	16,683	205,247
Other	23,481	137,551	161,032
Due from other funds	173,103	452,502	625,605
Due from component unit	436,857	-	436,857
	<b>\$ 6,471,297</b>	<b>\$ 1,434,928</b>	<b>\$ 7,906,225</b>
 <b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable and accrued expenditures	\$ 196,812	\$ 4,219	\$ 201,031
Due to other funds	586,795	38,810	625,605
Deferred revenue	573,193	137,551	710,744
Other liabilities	-	9,500	9,500
	<b>1,356,800</b>	<b>190,080</b>	<b>1,546,880</b>
 <b>Fund balances</b>			
Nonspendable:			
Permanent fund principal	-	7,336	7,336
Restricted for:			
Community development	-	16,407	16,407
Historical records preservation	-	33,555	33,555
Public safety programs	1,548	46,338	47,886
Planning programs	-	1,404	1,404
Landfill capital projects	-	20,000	20,000
Recreation capital projects	-	8,306	8,306
Cemetery perpetual care	-	6,781	6,781
Committed for:			
Employee relations costs	102,720	-	102,720
Property revaluation	245,032	-	245,032
Public works	38,855	-	38,855
Planning and zoning	60,000	-	60,000
Educational capital facilities expansion	-	127,359	127,359
Capital projects	-	979,144	979,144
Assigned for:			
Grant matching	10,989	-	10,989
Unassigned	4,655,353	(1,782)	4,653,571
	<b>5,114,497</b>	<b>1,244,848</b>	<b>6,359,345</b>
	<b>\$ 6,471,297</b>	<b>\$ 1,434,928</b>	<b>\$ 7,906,225</b>

*The accompanying notes are an integral part of the basic financial statements.*

**TOWN OF HOPKINTON, RHODE ISLAND**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Position**  
**June 30, 2013**

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<b>Total Fund Balances - Total Governmental Funds</b>	\$ 6,359,345
<b>Amounts reported for Governmental Activities in the Statement of Net Position are different because:</b>	
Capital assets used in Governmental Activities are not current financial resources and, therefore, are not reported in the Governmental Funds Balance Sheet. See Note 5 to the financial statements.	4,631,810
Property taxes are recognized as revenue in the period for which levied in the Government-Wide Financial Statements, but are reported as deferred revenue (a liability) in Governmental Fund Financial Statements.	548,897
Other accounts receivable and revenues are not available to pay for current period expenditures and, therefore, are deferred in the Governmental Funds Financial Statements.	137,551
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in Governmental Funds Balance Sheet.	(17,942)
Long-term liabilities (including bonds payable, compensated absences and leases payable) are not due and payable in the current period and, therefore, are not reported in the Governmental Funds Balance Sheet. See Note 6 to the financial statements.	(1,890,087)
Debt issuance costs are reported as expenditures in the Governmental Fund Financial Statements. The costs net of accumulated amortization are reported as an other asset in the Government-Wide Financial Statements.	<u>27,368</u>
<b>Net Position - Governmental Activities</b>	<u><u>\$ 9,796,942</u></u>

*The accompanying notes are an integral part of the basic financial statements.*

**TOWN OF HOPKINTON, RHODE ISLAND**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2013**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Property taxes	\$ 18,194,600	\$ -	\$ 18,194,600
Federal and state grants and aid	6,031,408	168,792	6,200,200
Charges for services and fees	848,755	35,554	884,309
Private grants and contributions	1,048	7,234	8,282
Interest on investments	5,887	1,762	7,649
Other revenues	636	-	636
<b>Total revenues</b>	<u>25,082,334</u>	<u>213,342</u>	<u>25,295,676</u>
<b>Expenditures:</b>			
Current:			
General government	1,708,978	26,037	1,735,015
Public safety	2,335,988	81,919	2,417,907
Public works	1,069,660	404,245	1,473,905
Recreation	254,973	-	254,973
Public and social services	125,250	166,619	291,869
Education - payment to school district	18,489,003	-	18,489,003
Debt service:			
Principal	160,071	-	160,071
Interest and other charges	71,786	-	71,786
<b>Total expenditures</b>	<u>24,215,709</u>	<u>678,820</u>	<u>24,894,529</u>
<b>Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)</b>	<u>866,625</u>	<u>(465,478)</u>	<u>401,147</u>
<b>Other financing sources (uses):</b>			
Capital-related debt issued	70,950	-	70,950
Transfers from other funds	8,375	395,150	403,525
Transfers to other funds	(391,650)	(11,875)	(403,525)
<b>Total other financing sources (uses)</b>	<u>(312,325)</u>	<u>383,275</u>	<u>70,950</u>
<b>Net change in fund balances</b>	554,300	(82,203)	472,097
<b>Fund balances - beginning of year</b>	<u>4,560,197</u>	<u>1,327,051</u>	<u>5,887,248</u>
<b>Fund balances - end of year</b>	<u>\$ 5,114,497</u>	<u>\$ 1,244,848</u>	<u>\$ 6,359,345</u>

*The accompanying notes are an integral part of the basic financial statements.*

**TOWN OF HOPKINTON, RHODE ISLAND**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and**  
**Changes in the Fund Balances to Government-Wide Statement of Activities**  
**For the Year Ended June 30, 2013**

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**Net Changes in Fund Balances - Total Governmental Funds** \$ 472,097

**Amounts reported for Governmental Activities in the Statement of Activities are different because:**

Governmental Fund Financial Statements report capital outlays as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount of capital assets recorded in the current period. 414,019  
This is the loss on capital assets disposed of in the current period. (14,275)

Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the Governmental Fund Financial Statements. (291,157)

Long-term compensated absences are reported in the Government-Wide Statement of Activities, but do not require the use of current financial resources. Therefore, compensated absences are not reported as expenditures in Governmental Fund Financial Statements. The following amount represents the change in long-term compensated absences from the prior year. (45,825)

New loans made during the year are reported as expenditures in the Governmental Fund Financial Statements, but increase other receivables in the Government-Wide Statement of Net Position. 34,395

Repayment of bond and lease principal is an expenditure in the Governmental Fund Financial Statements, but the payments reduce long-term liabilities in the Government-Wide Statement of Net Position. 203,200

Accrued interest expense on long-term debt is reported in the Government-Wide Statement of Activities, but does not require the use of current financial resources. Therefore, accrued interest expense is not reported as an expenditure in the Governmental Fund Financial Statements. The following amount represents the change in accrued interest expense from the prior year. 1,543

Proceeds from the issuance of debt are an other financing source in the Governmental Fund Financial Statements, but the issuance of debt increases long-term liabilities in the Government-Wide Statement of Net Position.  
This amount represents debt issued during the current period. (70,950)

Debt issued at a premium provide current financial resources to Governmental Funds, but are deferred and amortized in the Government-Wide Financial Statements. Debt issuance costs are expenditures in the Governmental Funds, but are deferred and amortized in the Government-Wide Financial Statements.  
This amount represents the amortization of bond premium during the current period. 780  
This amount represents the amortization of debt issuance costs during the current period. (1,520)

Revenues reported in prior periods in the Statement of Activities that are not reported in Governmental Funds until the revenues are measurable and available. 64,009

**Change in Net Position - Governmental Activities** \$ 766,316

*The accompanying notes are an integral part of the basic financial statements.*

**TOWN OF HOPKINTON, RHODE ISLAND**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2013**

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	<u><b>Enterprise Fund</b></u> <u><b>Water Supply</b></u>
<b>Assets</b>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 70,313
Accounts receivable, user fees - net	15,092
<b>Total current assets</b>	<b>85,405</b>
<b>Noncurrent assets</b>	
Depreciable capital assets - net	317,280
<b>Total noncurrent assets</b>	<b>317,280</b>
<b>Total assets</b>	<b>402,685</b>
 <b>Liabilities</b>	
<b>Current liabilities</b>	
Accounts payable and accrued expenses	13,196
<b>Total current liabilities</b>	<b>13,196</b>
<b>Total liabilities</b>	<b>13,196</b>
 <b>Net position</b>	
Net investment in capital assets	317,280
Unrestricted	72,209
<b>Total net position</b>	<b>\$ 389,489</b>

*The accompanying notes are an integral part of the basic financial statements.*

**TOWN OF HOPKINTON, RHODE ISLAND**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2013**

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	<u><b>Enterprise Fund</b></u> <u><b>Water Supply</b></u>
<b><i>Operating revenues</i></b>	
User fees	\$ 17,457
<b><i>Total operating revenues</i></b>	<u>17,457</u>
<b><i>Operating expenses</i></b>	
Water purchases	13,197
Depreciation	10,401
<b><i>Total operating expenses</i></b>	<u>23,598</u>
<b><i>Operating loss</i></b>	<u>(6,141)</u>
 <b><i>Nonoperating revenues</i></b>	
Interest income	138
<b><i>Total nonoperating revenues</i></b>	<u>138</u>
<b><i>Change in net position</i></b>	(6,003)
<b><i>Total net position - beginning of year</i></b>	<u>395,492</u>
<b><i>Total net position - end of year</i></b>	<u><u>\$ 389,489</u></u>

*The accompanying notes are an integral part of the basic financial statements.*

**TOWN OF HOPKINTON, RHODE ISLAND**  
*Statement of Cash Flows*  
*Proprietary Funds*  
*For the Fiscal Year Ended June 30, 2013*

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	<u><i>Enterprise Fund</i></u> <u><i>Water Supply</i></u>
<i>Cash flows from operating activities</i>	
Cash received from customers for user fees	\$ 17,630
Cash paid to suppliers	<u>(8,708)</u>
<i>Net cash provided by operating activities</i>	<u>8,922</u>
<i>Cash flows from investing activities</i>	
Interest received	<u>138</u>
<i>Net cash provided by investing activities</i>	<u>138</u>
<i>Net increase in cash and cash equivalents</i>	9,060
<i>Cash and cash equivalents - beginning of year</i>	<u>61,253</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 70,313</u>

*The accompanying notes are an integral part of the basic financial statements.*

**TOWN OF HOPKINTON, RHODE ISLAND**  
*Statement of Cash Flows (Continued)*  
*Proprietary Funds*  
*For the Fiscal Year Ended June 30, 2013*

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	<u><i>Enterprise Fund</i></u> <u><i>Water Supply</i></u>
<i>Reconciliation of operating loss to net cash provided by operating activities:</i>	
Operating loss	\$ (6,141)
<i>Adjustments to reconcile operating loss to net cash provided by operating activities:</i>	
Depreciation	10,401
Changes in assets and liabilities:	
Decrease in accounts receivable, user fees	4,993
Decrease in accounts payable and accrued expenses	<u>(331)</u>
<i>Net cash provided by operating activities</i>	<u><u>\$ 8,922</u></u>

*The accompanying notes are an integral part of the basic financial statements.*

# ***TOWN OF HOPKINTON, RHODE ISLAND***

## ***Notes to Financial Statements***

***June 30, 2013***

The financial statements of the Town of Hopkinton, Rhode Island, have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following notes to the financial statements are an integral part of the Town's financial statements.

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***A. REPORTING ENTITY***

The Town of Hopkinton was incorporated in 1757 and operates under a Home Rule Charter adopted in November 2002. The Charter provides for a Town Council-Town Manager form of government. All legislative powers of the Town, except such powers as reserved by State Law or vested in the Financial Town Meeting by the Charter and by-laws enacted by the Town Council, are vested in the Town Council, including the ordering of any tax, making of appropriations, and transacting any other business pertaining to the financial affairs of the Town.

In evaluating the inclusion of other separate and distinct legal entities as component units within its financial reporting entity, the Town applied the criteria prescribed by GASB Statement No. 14, as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units" and GASB Statement No. 61 "Financial Reporting Entity-Omnibus". A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable or based on the nature and significance of the organization's relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. Through the application of GASB Statements Nos. 14, 39, and 61 criteria, the Hopkinton Land Trust (the Trust) has been discretely presented as a component unit of the Town in the government-wide financial statements.

The Trust was established in fiscal year 2000 by the Hopkinton Town Council pursuant to special State legislation enacted by the General Assembly in the same year. The Trust was established as a body politic and corporate and a public instrumentality. It has the authority to acquire, hold and manage real property and interests therein, including development rights situated in the Town of Hopkinton, with the exception of property acquired for public historical preservation purposes. The Trust may hold property or development rights solely as open space or for agricultural uses, water purposes, public access or prevention of accelerated residential or commercial development. Trustees are appointed by the Town Council and the Trust can impose a financial burden upon the Town in the form of financial support and financing of operating deficits. The Trust holds economic resources (land and land rights) entirely for the direct benefit of the Town. The Trust does not issue separate financial statements.

# **TOWN OF HOPKINTON, RHODE ISLAND**

## **Notes to Financial Statements**

**June 30, 2013**

### **B. BASIS OF PRESENTATION**

#### **Government-Wide Financial Statements**

The Town's Government-Wide Financial Statements include a Statement of Net Position and Statement of Activities. The statements present summaries of governmental and business-type activities accompanied by a total column. Fiduciary activities of the Town are not included in these statements.

The Statement of Activities presents a comparison between expenses and program revenue for each function of the Town's governmental activities and changes in net position. Program revenues include a) fees, fines and charges paid by the recipients of goods or services offered by the programs and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

#### **Fund Financial Statements**

The accounts of the Town are organized on the basis of funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Governmental resources are allocated to and accounted for in individual funds to demonstrate legal compliance and to aid management by segregating transactions related to specific Town functions or activities. Funds are organized into three major categories: governmental, proprietary and fiduciary. Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide Financial Statements. Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows. Fiduciary Fund Financial Statements include a Statement of Net Position and a Statement of Changes in Fiduciary Net Position. An emphasis is placed on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

**TOWN OF HOPKINTON, RHODE ISLAND**  
*Notes to Financial Statements*  
*June 30, 2013*

All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Fund types used by the Town and a description of the funds comprising each are as follows:

**Governmental Funds:**

*General Fund* – The General Fund is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all activities not accounted for in another fund.

*Special Revenue Funds* – Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The Town has no major special revenue funds for the year ended June 30, 2013.

*Capital Project Funds* – Capital project funds are used to account for resources that are restricted, committed or assigned for the acquisition or construction of capital facilities or other capital assets. The Town has no major capital projects funds for the fiscal year ended June 30, 2013.

*Permanent Funds* – Permanent funds account for assets held by the Town where the principal portion must remain intact, but the earnings may be used to achieve the objectives of the fund. The Town had no major permanent funds for the fiscal year ended June 30, 2013.

**Proprietary Funds:**

Proprietary funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Enterprise funds are used to finance and account for the acquisition, operation, and maintenance of the Town's facilities and services that are supported primarily by user charges. For the year ended June 30, 2013, the Town had one proprietary fund, the Water Supply Fund, which is a major fund.

The Water Supply Fund accounts for the purchase of water from the Town of Richmond, which it sells to Town users.

**Fiduciary Funds:**

Fiduciary funds are used to report assets held by the Town in a trustee or agency capacity and, therefore, cannot be used to support the Town's own programs. For the year ended June 30, 2013, the Town had no fiduciary funds.

# **TOWN OF HOPKINTON, RHODE ISLAND**

## ***Notes to Financial Statements***

***June 30, 2013***

### ***C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING***

The Government-Wide Financial Statements are reported using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all the Town’s assets and liabilities, including capital assets, infrastructure assets, and long-term liabilities, are included in the Statement of Net Position. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Revenues are recognized when susceptible to accrual. Susceptibility occurs when revenues are both measurable and available to finance expenditures of the current period. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (generally sixty days). Expenditures, including capital outlays, are recognized when a liability has been incurred, except for those involving debt service and other long-term obligations that are recognized when paid.

Those revenues susceptible to accrual are property taxes and intergovernmental revenues. Fines, licenses and permit revenues are not susceptible to accrual because generally they are not measurable until received in cash and thus are recognized when received.

Proprietary funds are reported using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Town’s Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary funds are reported using the “economic resources” measurement focus and the accrual basis of accounting. Agency funds are purely custodial and do not involve measurement of results of operations.

**TOWN OF HOPKINTON, RHODE ISLAND**

***Notes to Financial Statements***

***June 30, 2013***

***D. CASH AND CASH EQUIVALENTS***

For the purpose of the Statement of Cash Flows, the Town considers cash on hand, time and demand deposits and short-term investments maturing within three months from the date of acquisition to be cash equivalents.

***E. INVESTMENTS***

The Town reports investments at fair value.

***F. PROPERTY TAXES***

Property taxes are levied at the Annual Financial Town Meeting held in June at (a) one hundred percent of the full and fair value of real and tangible personal property owned within the Town as of the previous December 31; and, (b) the value, as determined by the Rhode Island Vehicle Valuation Commission, of vehicles registered within the Town the previous calendar year, prorated for the actual number of days registered. Taxes levied in June are payable between August 1 and September 8 or in quarterly installments by September 8, December 8, March 8 and June 8. Failure to make payments will result in a lien on the taxpayer's property.

Rhode Island General Laws restrict the Town's ability to increase either its total tax levy or its tax rates more than 4% over those of the preceding year.

***G. INTERFUND TRANSACTIONS***

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total column.

Transactions between funds are fully presented within the fund financial statements with no elimination made between or within funds.

Reimbursements are accounted for as expenditures in the reimbursing fund and reductions to expenditures in the reimbursed fund. All other interfund transactions in the fund financial statements are reported as "transfers in" or "transfers out" on the statement of revenues, expenditures/expenses and changes in fund balances or net position.

Interfund receivables and payables are classified as "due from other funds" or "due to other funds" on the fund financial statements.

**TOWN OF HOPKINTON, RHODE ISLAND**

**Notes to Financial Statements**

**June 30, 2013**

**H. CAPITAL ASSETS**

**Government-Wide Financial Statements:**

In the Government-Wide Financial Statements, capital expenditures are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at the estimated fair value at the date of donation.

Capitalized assets are defined by the Town as assets with an initial, individual cost of \$10,000 or more and an estimated useful life in excess of one year.

Under the provisions of GASB Statement No. 34, the Town retroactively accounted for infrastructure capital assets in fiscal year 2007. Infrastructure assets are defined generally as capital assets that are immovable and of value only to the governmental unit, including roads, bridges, sidewalks and street lighting.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset is as follows:

	<u>Years</u>
Buildings and improvements	10-50
Motor vehicles	5-10
Machinery and equipment	5-20
Office furniture and equipment	5-10
Infrastructure/roadways (principally roads)	10-50
Water system	50

**Fund Financial Statements:**

Capital assets used in governmental fund operations are accounted for as expenditures.

**I. DEBT PREMIUMS AND ISSUANCE COSTS**

In the Governmental Fund Financial Statements, debt premiums and issuance costs are treated as period costs in the year of issue. Debt issuance costs are shown as an "expenditure" and debt premiums are reflected as an "other financing source".

In the Government-Wide Statements, debt premiums and issuance costs are deferred and amortized over the term of the debt. Debt premiums are presented as an addition to the face amount of the debt payable whereas issuance costs are recorded as other assets.

## **TOWN OF HOPKINTON, RHODE ISLAND**

### ***Notes to Financial Statements***

***June 30, 2013***

#### ***J. COMPENSATED ABSENCES***

Under the terms of various contracts and agreements, Town employees are granted vacation and sick leave in varying amounts based on length of service.

Vacation benefits are accrued as a liability based on the accumulated benefits earned at June 30. Sick leave benefits are based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and those employees for whom it is probable they will become eligible to receive termination benefits in the future. The liability is calculated at the rate of pay in effect at June 30, 2013.

The entire compensated absence liability is reported on the Government-Wide Financial Statements. For Governmental Fund Financial Statements, the amount of accumulated vacation and sick leave has been recorded as a current liability to the extent that the amounts are due to employees that have resigned or retired.

#### ***K. LONG-TERM OBLIGATIONS***

In the Government-Wide Financial Statements, all accrued liabilities and long-term debt are reported.

In the Governmental Fund Financial Statements, long-term debt is generally recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

#### ***L. DEFERRED REVENUE***

In the Governmental Fund Financial Statements, deferred revenue represents funds received in advance of being owed or receivables which will be collected and included in revenues of future fiscal years. In the General Fund, deferred revenues relate to delinquent property tax receivables balances less property tax amounts due as of the balance sheet date and received sixty days thereafter.

#### ***M. FUND EQUITY***

##### ***Government-Wide Financial Statements:***

The Government-Wide Financial Statements utilize a net position presentation. Net position is segregated into the following three components:

***Net investment in capital assets*** – represents the net book value of all capital assets less the outstanding balances of bonds and other debt used to acquire, construct or improve these assets.

# **TOWN OF HOPKINTON, RHODE ISLAND**

## **Notes to Financial Statements**

**June 30, 2013**

**Restricted** – represents balances limited to uses specified either externally by creditors, grantors, contributors, laws or regulations of other governments or imposed through constitutional provisions or enabling legislation.

**Unrestricted** – represents the residual component of net position that does not meet the definition of “restricted” or “net investment in capital assets”.

### **Fund Statements:**

Governmental fund equity is classified as fund balance. In the fund financial statements, fund balance is reported in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

**Nonspendable Fund Balance** – This classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” criteria includes items that are not expected to be converted to cash (e.g. inventories, prepaid amounts, and noncurrent receivables).

**Restricted Fund Balance** – This classification includes amounts that have constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**Committed Fund Balance** – This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town’s highest level of decision-making authority.

**Assigned Fund Balance** – This classification includes amounts constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed.

**Unassigned Fund Balance** – This classification is the residual fund balance for the General Fund. This classification represents fund balance that has not been assigned to another fund and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

Committed fund balances are established, modified or rescinded by a resolution adopted at a Financial Town Meeting or an ordinance adopted by the Town Council. Assigned fund balances are authorized by the Finance Director. The Town considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The Town considers unrestricted fund balance classifications to be used in the following order when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used: 1) committed; 2) assigned; and 3) unassigned.

**TOWN OF HOPKINTON, RHODE ISLAND**

**Notes to Financial Statements**

**June 30, 2013**

**N. USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. LEGAL DEBT MARGIN**

The Town’s legal debt margin as set forth by State Statute is limited to three percent of total taxable assessed value, which approximates \$27,360,993. As of June 30, 2013, the Town’s debt subject to the legal debt margin is \$1,644,019 and the Town is under the debt limit by \$25,716,974. The debt subject to the debt limitation is based on the type of debt that is issued.

**B. DEFICIT FUND BALANCES**

The following nonmajor funds have deficit fund balances as of June 30, 2013: CDBG 2011 - \$(282) and CDBG 2012 - \$(1,500).

**NOTE 3 – CASH DEPOSITS**

**DEPOSITS** – are in four financial institutions and are carried at cost. The carrying amount of deposits is separately displayed on the Balance Sheet and the Statement of Net Position as “Cash and Cash Equivalents”.

	<b><i>Carrying Amount</i></b>
Total Deposits	\$5,812,230
Add: Petty cash and cash on hand	5,801
<b><i>Total Cash and Cash Equivalents Reported in the Financial Statements</i></b>	<b><u>5,818,031</u></b>

**CUSTODIAL CREDIT RISK** – custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town does not have a formal deposit policy for custodial credit risk. As of June 30, 2013, \$5,101,435 of the Town’s bank balance of \$5,915,536 was exposed to custodial credit risk as follows:

**TOWN OF HOPKINTON, RHODE ISLAND**

**Notes to Financial Statements**

**June 30, 2013**

	<b><u>Bank</u></b> <b><u>Balance</u></b>
Insured (Federal depository insurance funds)	\$814,101
Collateralized with securities held by pledging financial institution's agent, but not in the Town's name	1,179,114
Uninsured and uncollateralized	<u>3,922,321</u>
<b>Total</b>	<b><u><u>\$5,915,536</u></u></b>

Under Rhode Island general laws, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall at a minimum, insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits, which are time deposits with maturities greater than sixty (60) days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits, regardless of maturity. At June 30, 2013, the Town's uncollateralized deposits with institutions were \$3,922,321. These deposits are held by institutions that meet the minimum capital standards prescribed by the federal regulators.

**NOTE 4 – INVESTMENTS**

The Town had no investments as of June 30, 2013. The Finance Director has control over the type of investments made. The Town does not have a formal investment policy or any other legally contracted agreement that limits the type of investments that may be made.

**Interest Rate Risk** – The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk** – The Town does not have a formal investment policy that limits its investment choices.

**Concentration of Credit Risk** – The Town places no limit on the amount the Town may invest in any one issuer.

# TOWN OF HOPKINTON, RHODE ISLAND

## Notes to Financial Statements

June 30, 2013

### NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June, 30, 2013 was as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Retirements</i>	<i>Ending Balance</i>
<b>Governmental Activities:</b>				
Nondepreciable assets:				
Land	\$ 349,470	\$ -	\$ -	\$ 349,470
	<u>349,470</u>	<u>-</u>	<u>-</u>	<u>349,470</u>
Depreciable assets:				
Infrastructure	21,960,083	-	-	21,960,083
Buildings and improvements	3,804,995	23,790	-	3,828,785
Furniture and equipment	780,791	92,559	96,415	776,935
Motor vehicles	1,095,910	297,670	85,775	1,307,805
	<u>27,641,779</u>	<u>414,019</u>	<u>182,190</u>	<u>27,873,608</u>
<b>Total Capital Assets</b>	<u>27,991,249</u>	<u>414,019</u>	<u>182,190</u>	<u>28,223,078</u>
Less accumulated depreciation for:				
Infrastructure	20,296,987	103,671	-	20,400,658
Buildings and improvements	1,668,408	76,710	-	1,745,118
Furniture and equipment	730,459	21,949	85,740	666,668
Motor vehicles	772,172	88,827	82,175	778,824
<b>Total Accumulated Depreciation</b>	<u>23,468,026</u>	<u>291,157</u>	<u>167,915</u>	<u>23,591,268</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 4,523,223</u>	<u>\$ 122,862</u>	<u>\$ 14,275</u>	<u>\$ 4,631,810</u>
<b>Business-Type Activities</b>				
Depreciable assets:				
Water lines	\$ 520,092	\$ -	\$ -	\$ 520,092
<b>Total Capital Assets</b>	<u>520,092</u>	<u>-</u>	<u>-</u>	<u>520,092</u>
Less accumulated depreciation for:				
Water lines	192,411	10,401	-	202,812
<b>Total Accumulated Depreciation</b>	<u>192,411</u>	<u>10,401</u>	<u>-</u>	<u>202,812</u>
<b>Business-Type Activities Capital Assets, Net</b>	<u>\$ 327,681</u>	<u>\$ (10,401)</u>	<u>\$ -</u>	<u>\$ 317,280</u>
<b>Capital asset activity for the Land Trust</b>				
<b>for the year ended June 30, 2013 is as follows:</b>				
Nondepreciable assets:				
Land and land rights	\$ 2,907,186	\$ 17,350	\$ -	\$ 2,924,536
Construction in progress	-	19,275	-	19,275
	<u>2,907,186</u>	<u>36,625</u>	<u>-</u>	<u>2,943,811</u>
Depreciable assets:				
Improvements other than buildings	33,000	-	-	33,000
Less accumulated depreciation for:				
Improvements other than buildings	14,025	1,650	-	15,675
<b>Depreciable Assets, Net</b>	<u>18,975</u>	<u>(1,650)</u>	<u>-</u>	<u>17,325</u>
<b>Land Trust Capital Assets, Net</b>	<u>\$ 2,926,161</u>	<u>\$ 34,975</u>	<u>\$ -</u>	<u>\$ 2,961,136</u>

**TOWN OF HOPKINTON, RHODE ISLAND**

*Notes to Financial Statements*

*June 30, 2013*

Depreciation expense was charged as follows:

Governmental activities:

General government	\$ 24,868
Public safety	58,150
Public works	177,862
Recreation	30,277
<b>Total Depreciation Expense, Governmental Activities</b>	<b><u><u>\$ 291,157</u></u></b>

Business-type activities:

Water supply	\$ 10,401
<b>Total Depreciation Expense, Business-Type Activities</b>	<b><u><u>\$ 10,401</u></u></b>

**NOTE 6 – LONG-TERM LIABILITIES**

**A. LONG-TERM LIABILITIES:**

Changes in long-term liabilities during the year ended June 30, 2013 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
<b>Bonds and capital leases payable:</b>					
General obligation bonds payable	\$1,804,090	\$ -	\$ 160,071	\$1,644,019	\$ 162,266
Capital leases	28,223	70,950	43,129	56,044	32,413
Plus: amortized premium on bond	14,834	-	780	14,054	-
<b>Total bonds and capital leases</b>	<u>1,847,147</u>	<u>70,950</u>	<u>203,980</u>	<u>1,714,117</u>	<u>194,679</u>
<b>Other liabilities:</b>					
Accrued compensated absences	130,145	45,825	-	175,970	156,367
<b>Total Governmental Activities</b>					
<b>Long-Term Liabilities</b>	<u><u>\$1,977,292</u></u>	<u><u>\$ 116,775</u></u>	<u><u>\$ 203,980</u></u>	<u><u>\$1,890,087</u></u>	<u><u>\$ 351,046</u></u>

All debt of the Government Activities is general obligation debt. The payments on the bonds are paid from the General Fund. The capital leases are paid from an appropriation from the General Fund. The compensated absences are paid from the General Fund.

**TOWN OF HOPKINTON, RHODE ISLAND**  
*Notes to Financial Statements*  
 June 30, 2013

**B. BONDS PAYABLE**

Outstanding bonds payable are as follows:

<u>Purpose</u>	<u>Date Issued</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Authorized and Issued</u>	<u>Outstanding June 30, 2012</u>	<u>New Issues</u>	<u>Maturities During Year</u>	<u>Outstanding June 30, 2013</u>
Rhode Island Clean Water Finance Agency	6/29/1994	3.04%	9/1/2014	\$ 1,346,179	\$ 203,321	\$ -	\$ 67,773	\$ 135,548
Police Station Fund: Dime Savings Bank	4/25/2003	5.00%	5/1/2023	900,000	600,769	-	42,298	558,471
Open Space	7/21/2011	2.5-4.375%	8/15/2031	1,000,000	1,000,000	-	50,000	950,000
<b>Total governmental activities bonds payable</b>					<b>\$ 1,804,090</b>	<b>\$ -</b>	<b>\$ 160,071</b>	<b>\$ 1,644,019</b>

At June 30, 2013 annual debt service requirements to maturity for bonds payable are as follows:

<u>Year ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 162,266	\$ 65,509	\$ 227,775
2015	164,575	59,429	224,004
2016	99,168	54,489	153,657
2017	101,781	50,502	152,283
2018	104,467	46,315	150,782
2019-2023	561,762	162,509	724,271
2024-2028	250,000	71,094	321,094
2029-2032	200,000	17,500	217,500
	<u>\$ 1,644,019</u>	<u>\$ 527,347</u>	<u>\$ 2,171,366</u>

**TOWN OF HOPKINTON, RHODE ISLAND**  
*Notes to Financial Statements*  
 June 30, 2013

**C. CAPITAL LEASE OBLIGATIONS**

The Town has financed the acquisition of certain equipment through lease-purchase agreements.

Capital lease obligations currently outstanding are as follows:

<u>Purpose</u>	<u>Date Issued</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Authorized and Issued</u>	<u>Outstanding June 30, 2012</u>	<u>New Issues</u>	<u>Retirements During Year</u>	<u>Outstanding June 30, 2013</u>
Police vehicle	1/11/2011	6.50%	1/11/2013	\$ 27,078	\$ 9,014	\$ -	\$ 9,014	\$ -
Police vehicle	11/3/2011	6.50%	11/3/2013	29,760	19,209	-	9,302	9,907
Police vehicle	4/4/2013	5.00%	4/4/2015	70,950	-	70,950	24,813	46,137
<b>Total governmental activities capital leases</b>					<b>\$ 28,223</b>	<b>\$ 70,950</b>	<b>\$ 43,129</b>	<b>\$ 56,044</b>

Obligations of governmental activities under capital leases at June 30, 2013 were as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Lease Payment Requirements</u>
2014	\$ 35,364
2015	24,813
Total minimum lease payments	60,177
Less: Amount representing interest cost	(4,133)
Present value of minimum lease payments	<u>\$ 56,044</u>

**TOWN OF HOPKINTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2013**

**NOTE 7 – INTERFUND BALANCES**

The Town reports interfund balances between many of its funds. Interfund balances at June 30, 2013 were as follows:

	<i>Due From:</i>		
	<i>General Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total</i>
<i>Due To:</i>			
General Fund	\$ 134,293	\$ 38,810	\$ 173,103
Nonmajor Governmental Funds	452,502	-	452,502
<b>Total</b>	<b>\$ 586,795</b>	<b>\$ 38,810</b>	<b>\$ 625,605</b>

The balances primarily result from the time lag between the dates the 1) interfund goods and services are provided or reimbursable expenditures occur; 2) transactions are recorded in the accounting system; and 3) payments between funds are made.

**NOTE 8 – INTERFUND TRANSFERS**

	<i>Transfer From:</i>		
	<i>General Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total</i>
<i>Transfer To:</i>			
General Fund	\$ -	\$ 8,375	\$ 8,375
Nonmajor Governmental Funds	391,650	3,500	395,150
<b>Total</b>	<b>\$ 391,650</b>	<b>\$ 11,875</b>	<b>\$ 403,525</b>

Transfers are used to move revenues from the fund that the budget requires to collect them, to the funds that the budget requires to expend them.

**NOTE 9 – DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES**

**A. ACCOUNTS RECEIVABLE**

The Town disaggregates significant components of receivables in the financial statements. Receivable balances determined immaterial are included as other receivables. The Town expects to receive all receivables within the subsequent year, except for microloans which are due in accordance with individual loan amortization schedules. The real estate and personal property taxes include an allowance for doubtful accounts of \$160,907. The accounts receivable-user fees include an allowance for doubtful accounts of \$1,000.

**TOWN OF HOPKINTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2013**

**B. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The accounts payable and accrued liabilities at June 30, 2013, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:				
General Fund	\$ 64,373	\$ 123,479	\$ 8,960	\$ 196,812
Nonmajor Governmental Funds	4,219	-	-	4,219
<b>Total Governmental Activities</b>	<u>\$ 68,592</u>	<u>\$ 123,479</u>	<u>\$ 8,960</u>	<u>\$ 201,031</u>
Business-Type Activities:				
Water Supply	\$ 13,196	\$ -	\$ -	\$ 13,196
<b>Total Business-Type Activities</b>	<u>\$ 13,196</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,196</u>

**NOTE 10 – CHARIHO REGIONAL SCHOOL DISTRICT**

The Chariho Regional School District (Regional School) was created to include a regional school for the Towns of Charlestown, Richmond and Hopkinton (the Towns), which encompasses grades K-12. The Regional School is a separate legal entity from the Town. The voters of the participating Towns elect the Regional School Committee. The Regional School cannot assess and levy property taxes. Revenues are derived principally from the participating Towns of the Regional School, which contribute funds according to a financial formula based upon each Town's enrollment, and from State aid to education. Financial statements for the Regional School District are issued separately and may be obtained from the Chariho Regional School District, 455A Switch Road, Wood River Junction, Rhode Island 02894.

**NOTE 11 – RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. As a result, the Town participates in a nonprofit, public entity risk pool (Rhode Island Interlocal Risk Management Trust, Inc.) (the Trust) which provides coverage for property/liability and workers' compensation claims. Upon joining the Trust, the Town signed a participation agreement which outlines the rights and responsibilities of both the Trust and the Town. The agreement states that for premiums paid by the Town, the Trust will assume financial responsibility for the Town's losses up to the maximum amount of insurance purchased, minus the Town's deductible amounts. The Trust provides this insurance coverage through a pooled, self-insurance mechanism which includes reinsurance purchased by the Trust to protect against large, catastrophic claims above the losses the Trust retains internally for payment from the pooled contributions of its members. Settled claims resulting from these risks have not exceeded the Trust coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage during the year ended June 30, 2013.

**TOWN OF HOPKINTON, RHODE ISLAND**  
*Notes to Financial Statements*  
*June 30, 2013*

**NOTE 12 – LITIGATION AND CONTINGENCIES**

***Litigation:***

The Town is a party to various claims, legal actions and complaints. It is not presently possible to determine the outcome of these cases. In the opinion of the Town's management and Town Solicitor, these matters are not anticipated to have a material financial impact on the Town.

***Other Contingencies:***

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

**NOTE 13 – OPERATING LEASES**

The Town leases one-half of the Thayer House to the U.S. Postal Service under an operating lease expiring in fiscal year 2016. Future minimum lease payments to be received by the Town are as follows:

<u><i>Year Ending June 30,</i></u>	
2014	\$12,835
2015	12,835
2016	<u>3,209</u>
	<u>\$28,879</u>

**NOTE 14 – SUBSEQUENT EVENT**

On October 4, 2013, the Town issued a bond anticipation note in the amount of \$700,000. The note matures on October 2, 2014 and bears interest of 1.49%.

**NOTE 15 – PENSION PLAN**

**MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND**

Effective July 1, 2012, the Municipal Employees' Retirement System (MERS) was modified as the result of the enactment of the Rhode Island Retirement Security Act of 2011, to include both defined benefit and defined contribution plan components.

***Defined Benefit Plan Description***

The Town of Hopkinton participates in the Municipal Employees' Retirement System (MERS), an agent multiple employer defined benefit plan administered by the State of Rhode Island. All Town

**TOWN OF HOPKINTON, RHODE ISLAND**

**Notes to Financial Statements**

**June 30, 2013**

employees participate in the MERS. The payroll for employees covered by the MERS for the year ended June 30, 2013 was \$2,405,054 (General employees - \$1,599,115; Police officers - \$805,939).

The plan provides retirement, disability and death benefits to plan members and beneficiaries. The level of benefits provided to members are established by Rhode Island General Laws, Title 45, Chapters 19, 19.1, 21, 21.1, 21.2 and 21.3 and may be amended by the General Assembly.

**Funding Policy**

General employees are required by State Statute to contribute 1% of their annual earnings. The contribution rate is increased to 2% with the optional cost-of-living provision. Police and firefighters are required by State Statute to contribute 7%. The contribution rate is increased to 8% with the optional cost-of-living provision. The Town is required to contribute based on an actuarially determined amount and as provided by State Statute for each participating municipality. The Town contribution rate for fiscal year 2013 was 6.01% of covered payroll for general employees and 14.17% for police officers.

**Annual Pension Cost**

For fiscal 2013, the Town's annual pension cost of \$210,309 for the MERS was equal to the Town's required and actual contributions.

**Three-Year Trend Information**

**GENERAL MUNICIPAL EMPLOYEES**

<b><i>Fiscal Year</i></b>	<b><i>Annual Pension Cost (APC)</i></b>	<b><i>Percentage of APC Contributed</i></b>	<b><i>Net Pension Obligation</i></b>
2011	\$53,475	100%	\$ -
2012	\$75,444	100%	\$ -
2013	\$96,107	100%	\$ -

**POLICE OFFICERS**

<b><i>Fiscal Year</i></b>	<b><i>Annual Pension Cost (APC)</i></b>	<b><i>Percentage of APC Contributed</i></b>	<b><i>Net Pension Obligation</i></b>
2011	\$152,640	100%	\$ -
2012	\$216,043	100%	\$ -
2013	\$114,202	100%	\$ -

## **TOWN OF HOPKINTON, RHODE ISLAND**

### **Notes to Financial Statements**

**June 30, 2013**

The required contribution was determined as part of the June 30, 2010 actuarial valuation. The actuarial method used is the entry age actuarial cost method. Under this method, the employer contribution rate is the sum of (i) the employer normal cost rate, and (ii) a rate that will amortize the unfunded actuarial accrued liability. Significant actuarial assumptions used in the June 30, 2010 valuation include the following:

- 1) Investment return – 7.5%, compounded annually, composed of an assumed 2.75% inflation rate and a 4.75% net real rate of return
- 2) Projected salary increases – a service related component, plus a 4% wage inflation assumption for general employees or a 4.25% wage inflation assumption for police/fire.
- 3) Post-Retirement Benefit Increase – Assumed to be 2% per annum for all units. The actual COLA will be determined based on the plan's five-year average investment rate minus 5.5% and will range from zero to 4.0%.

The actuarial value of assets is based on the market value of assets with a five-year phase-in of actual investment return in excess of (less than) expected investment income. The MERS' unfunded actuarial accrued liability is being amortized over 25 years as a level percentage of payroll on a closed basis. The remaining amortization period at June 30, 2010 was 25 years.

#### ***Funded Status and Funding Progress***

Information on the funded status and funding progress of each plan as of June 30, 2012, the most recent actuarial valuation date, is as follows:

- **General Employees** – The plan was 113.4% funded. The actuarial accrued liability for benefits was \$3,855,774, and the actuarial value of assets was \$4,374,065, resulting in an unfunded actuarial accrued liability (UAAL)/ (Funding Excess) of \$(518,291). The covered payroll (annual payroll of active employees covered by the plan) was \$1,546,023, and the ratio of the UAAL/ (Funding Excess) to covered payroll was (33.5%).
- **Police Officers** – The plan was 72.2% funded. The actuarial accrued liability for benefits was \$6,592,207, and the actuarial value of assets was \$4,760,429, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,831,778. The covered payroll (annual payroll of active employees covered by the plan) was \$896,032, and the ratio of the UAAL to covered payroll was 204.4%.

The June 30, 2012 actuarial valuation uses the actuarial method and assumptions described under Annual Pension Cost.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

## **TOWN OF HOPKINTON, RHODE ISLAND**

### ***Notes to Financial Statements***

***June 30, 2013***

#### ***Defined Contribution Plan Description***

General employees participating in the defined benefit plan, as described above, also participate in a defined contribution plan of the Municipal Employees' Retirement System as authorized by Rhode Island General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF. Employees may choose among various investment options available to plan participants. Employees contribute 5% of their annual covered salary and the Town contributes 1% of annual covered salary. Employee contributions are immediately vested while Town contributions are vested after three years of contributory service. Contributions required under the plan by both the employee and employer is established by Rhode Island General Laws, which are subject to amendment by the General Assembly.

Amounts in the defined contribution plan are available to participants in accordance with Internal Revenue Service guidelines for such plans.

The Town contributed \$15,340 for the fiscal year ended June 30, 2013 (which was the first year of the defined contribution plan), equal to 100% of the required contributions for that year. Employees contributed \$76,882 for the fiscal year ended June 30, 2013.

The State of Rhode Island's Municipal Employees' Retirement System issues a publicly available annual financial report that includes financial statements and required supplementary information. That report may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 50 Service Avenue, Warwick, Rhode Island 02886 or at [www.ersri.org](http://www.ersri.org).

**TOWN OF HOPKINTON, RHODE ISLAND**

*Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2013*

	<u>Original/ Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Property taxes	\$ 17,998,787	\$ 18,194,600	\$ 195,813
Federal and state grants and aid	5,840,734	6,022,837	182,103
Charges for services	609,184	848,755	239,571
Interest on investments	2,700	5,037	2,337
Other revenue	5,000	636	(4,364)
Use of fund balance	60,000	60,000	-
<b>Total revenues</b>	<u>24,516,405</u>	<u>25,131,865</u>	<u>615,460</u>
<b>Expenditures</b>			
Current:			
General government	1,693,599	1,695,379	(1,780)
Public safety	2,143,036	2,256,951	(113,915)
Public works	1,103,035	1,069,660	33,375
Recreation	251,742	254,973	(3,231)
Public and social services	125,369	125,250	119
Education	18,488,552	18,489,003	(451)
Debt service	259,422	231,857	27,565
<b>Total expenditures</b>	<u>24,064,755</u>	<u>24,123,073</u>	<u>(58,318)</u>
<b>Excess of revenues over expenditures before other financing sources (uses)</b>	<u>451,650</u>	<u>1,008,792</u>	<u>557,142</u>
<b>Other financing sources (uses)</b>			
Transfers from other funds	-	8,375	8,375
Transfers to other funds	(451,650)	(451,650)	-
<b>Total other financing (uses)</b>	<u>(451,650)</u>	<u>(443,275)</u>	<u>8,375</u>
<b>Excess of revenues and other financing sources over expenditures and other financing uses, budgetary basis</b>	<u>\$ -</u>	<u>\$ 565,517</u>	<u>\$ 565,517</u>

*The accompanying notes to the required supplementary information are an integral part of this schedule.*

**TOWN OF HOPKINTON, RHODE ISLAND**  
**Required Supplementary Information - Pension Plans**  
**Schedule of Funding Progress**  
**"Unaudited"**

	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) -Entry Age</u>	<u>Unfunded Liability/ (Funding Excess)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Liability/ (Funding Excess) as a Percentage of Covered Payroll</u>
<b><i>Police Officers Pension Plan: (1)</i></b>							
	6/30/10	\$4,174,748	\$5,110,459	\$935,711	81.7%	\$796,584	117.5%
	6/30/11	\$4,285,562	\$5,356,891	\$1,071,329	80.0%	\$846,825	126.5%
	6/30/12	\$4,760,429	\$6,592,207	\$1,831,778	72.2%	\$896,032	204.4%
<b><i>General Municipal Employees Pension Plan: (1)</i></b>							
	6/30/10	\$4,148,476	\$3,508,902	(\$639,574)	118.2%	\$1,482,550	(43.1%)
	6/30/11	\$4,251,655	\$3,789,136	(\$462,519)	112.2%	\$1,544,552	(29.9%)
	6/30/12	\$ 4,374,065	\$ 3,855,774	(\$518,291)	113.4%	\$ 1,546,023	(33.5%)

(1) The June 30, 2010, 2011 and 2012 actuarial valuation amounts reflect the comprehensive pension reform changes enacted by the Rhode Island General Assembly in November 2011. The original June 30, 2010 actuarial valuation amounts were revised to reflect the pension reform changes.



**TOWN OF HOPKINTON, RHODE ISLAND**  
**Notes to Required Supplementary Information**  
**June 30, 2013**

**NOTE 2 – BUDGETARY DATA AND BUDGETARY COMPLIANCE**

The Town has formally established budgetary accounting control for its General Fund. It is the responsibility of the Town Manager together with the Finance Director’s recommendation to submit to the Town Council and make available to the general public a proposed General Fund budget for the fiscal year. The Town Council may then revise and adopt a recommended General Fund budget. A public hearing is conducted on the recommended General Fund Budget and the final recommended budget is approved by the voters and legally enacted at the Annual Financial Town Meeting. The General Fund operating budget is supported by revenue estimates and take into account the elimination of accumulated deficits and the re-appropriation of accumulated surpluses to the extent necessary. The budget approved and adopted at the Annual Financial Town Meeting reports the amount budgeted for each department, including the Regional School District, therefore, the legal level of control for the General Fund is at the departmental level. Amendments that would change the total appropriation must be approved by the voters and Town Council at a Financial Town Meeting. There were no supplemental budgetary appropriations in fiscal year 2013. Appropriations which are not expended or encumbered lapse at year end.

The General Fund budget is in conformity with the legally enacted budgetary basis, which is not in conformity with generally accepted accounting principles. The budget to actual presentation for the General Fund reported as required supplementary information is reflected on the budgetary basis. Differences between the budgetary basis and the generally accepted accounting principles basis are as follows:

	<b><i>General Fund</i></b>
<b><u>Revenues and Other Financing Sources</u></b>	
Revenues and other financing sources – budgetary basis	\$25,140,240
Use of fund balance is not revenue for financial reporting purposes.	(60,000)
Unbudgeted revenues not included in budgetary revenues, but included for financial reporting purposes.	10,469
Capital-related debt proceeds not budgeted.	70,950
	70,950
<b><i>Total revenues and other financing sources as reported in the statement of revenues, expenditures and changes in fund balances – governmental funds – gaap basis</i></b>	<b>\$25,161,659</b>
 <b><u>Expenditures and Other Financing Uses</u></b>	
Expenditures and other financing uses – budgetary basis	\$24,574,723
Unbudgeted expenditures not included in budgetary expenditures, but included for financial reporting purposes.	21,686
Capital lease expenditure not budgeted.	70,950
Budgeted transfer included for budgetary purposes, but not for financial reporting purposes.	(60,000)
	(60,000)
<b><i>Total expenditures and other financing uses as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds – gaap basis</i></b>	<b>\$24,607,359</b>

**TOWN OF HOPKINTON, RHODE ISLAND**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2013**

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>				
Cash	\$ 220,505	\$ 593,570	\$ 14,117	\$ 828,192
Due from federal and state government	16,683	-	-	16,683
Other receivables	137,551	-	-	137,551
Due from other funds	14,050	438,452	-	452,502
<b>Total assets</b>	<u>\$ 388,789</u>	<u>\$ 1,032,022</u>	<u>\$ 14,117</u>	<u>\$ 1,434,928</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable and accrued expenditures	\$ 4,219	\$ -	\$ -	\$ 4,219
Due to other funds	23,738	15,072	-	38,810
Deferred revenue	137,551	-	-	137,551
Other liabilities	-	9,500	-	9,500
<b>Total liabilities</b>	<u>165,508</u>	<u>24,572</u>	<u>-</u>	<u>190,080</u>
<b>Fund balances</b>				
Nonspendable - permanent fund principal	-	-	7,336	7,336
Restricted	97,704	28,306	6,781	132,791
Committed	127,359	979,144	-	1,106,503
Unassigned	(1,782)	-	-	(1,782)
<b>Total fund balances</b>	<u>223,281</u>	<u>1,007,450</u>	<u>14,117</u>	<u>1,244,848</u>
<b>Total liabilities and fund balances</b>	<u>\$ 388,789</u>	<u>\$ 1,032,022</u>	<u>\$ 14,117</u>	<u>\$ 1,434,928</u>

**TOWN OF HOPKINTON, RHODE ISLAND**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2013**

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenues</b>				
Federal and state grants and aid	\$ 168,792	\$ -	\$ -	\$ 168,792
Charges for services and fees	35,554	-	-	35,554
Private grants and contributions	7,234	-	-	7,234
Interest on investments	377	1,367	18	1,762
<b>Total revenues</b>	<u>211,957</u>	<u>1,367</u>	<u>18</u>	<u>213,342</u>
<b>Expenditures</b>				
Current:				
General government	25,349	395	293	26,037
Public safety	36,937	44,982	-	81,919
Public works	-	404,245	-	404,245
Public and social services	166,619	-	-	166,619
<b>Total expenditures</b>	<u>228,905</u>	<u>449,622</u>	<u>293</u>	<u>678,820</u>
<b>Deficiency of revenues under expenditures before other financing sources (uses)</b>	<u>(16,948)</u>	<u>(448,255)</u>	<u>(275)</u>	<u>(465,478)</u>
<b>Other financing sources (uses)</b>				
Transfers from other funds	-	395,150	-	395,150
Transfers to other funds	(8,375)	(3,500)	-	(11,875)
<b>Total other financing sources (uses)</b>	<u>(8,375)</u>	<u>391,650</u>	<u>-</u>	<u>383,275</u>
<b>Net change in fund balances</b>	(25,323)	(56,605)	(275)	(82,203)
<b>Fund balances - beginning of year</b>	<u>248,604</u>	<u>1,064,055</u>	<u>14,392</u>	<u>1,327,051</u>
<b>Fund balances - end of year</b>	<u>\$ 223,281</u>	<u>\$ 1,007,450</u>	<u>\$ 14,117</u>	<u>\$ 1,244,848</u>

**TOWN OF HOPKINTON, RHODE ISLAND**  
**Tax Collector's Annual Report**  
**For the Fiscal Year Ended June 30, 2013**

**Real Estate and Personal Property Taxes**

<b><u>Tax Year</u></b>	<b><u>Balance June 30, 2012</u></b>	<b><u>Current year Assessment</u></b>	<b><u>Refunds</u></b>	<b><u>Abatements/ Adjustments</u></b>	<b><u>Amount to be Collected</u></b>	<b><u>Current Year Collections</u></b>	<b><u>Balance June 30, 2013</u></b>
2012	\$ -	\$ 18,300,511	\$ 15,690	\$ (5,528)	\$ 18,310,673	\$ 17,579,153	\$ 731,520
2011	685,646	-	2,391	(810)	687,227	573,577	113,650
2010	77,300	-	2,876	(146)	80,030	24,203	55,827
2009	28,500	-	552	-	29,052	2,491	26,561
2008	31,932	-	541	-	32,473	858	31,615
2007	22,259	-	529	-	22,788	27	22,761
2006	21,242	-	522	-	21,764	494	21,270
2005	24,015	-	708	-	24,723	792	23,931
2004	19,654	-	673	-	20,327	76	20,251
2003	14,013	-	561	-	14,574	57	14,517
	<u>\$ 924,561</u>	<u>\$ 18,300,511</u>	<u>\$ 25,043</u>	<u>\$ (6,484)</u>	<u>\$ 19,243,631</u>	<u>\$ 18,181,728</u>	1,061,903
							(160,907)
							<u>\$ 900,996</u>

Allowance for Uncollectible Accounts

Net Property Tax Receivable

**Schedule of Most Recent Net Assessed Property Value by Category**

<b><u>Description of Property</u></b>	<b><u>Valuation</u></b>	<b><u>Levy</u></b>
Real property	\$ 841,280,000	\$ 16,808,774
Motor vehicles	77,319,949	1,637,637
Tangible personal property	19,857,930	396,761
Total	<u>938,457,879</u>	<u>18,843,172</u>
Exemptions and tax freeze	(26,424,789)	(542,661)
Net assessed value	<u>\$ 912,033,090</u>	<u>\$ 18,300,511</u>

**Reconciliation of current year property tax revenue**

Current year collections	\$ 18,181,728
Refunds	(25,043)
Adjustments	(4,942)
Revenue collected within 60 days subsequent to year ended June 30, 2013	<u>352,100</u>
	18,503,843
Prior year revenue received in current year	<u>(309,243)</u>
Current year real estate and personal property tax revenue	<u>\$ 18,194,600</u>

**TOWN OF HOPKINTON, RHODE ISLAND**  
**Changes in Fund Balances, General Fund**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**  
**Unaudited**

	2004	2005	2006	2007	2008	2009	2010	(3) 2011	(3) 2012	(3) 2013
<b>Revenues</b>										
Property Taxes and Interest	\$ 11,046,819	\$ 12,899,624	\$ 13,924,722	\$ 14,361,479	\$ 14,909,405	\$ 15,798,540	\$ 15,674,241	\$ 17,647,812	\$ 17,586,304	\$ 18,194,600
Federal and state grants and aid	6,681,021	6,484,247	6,554,587	6,981,488	6,945,798	6,233,862	6,886,037	5,725,058	6,031,011	6,022,837
Charges for services	518,664	916,838	971,828	921,323	790,774	727,294	884,058	809,586	793,615	848,755
Private grants and contributions	-	-	-	-	-	-	-	2,540	-	-
Interest on investments	18,419	23,595	40,775	57,892	56,707	40,281	7,271	3,249	3,054	5,037
Other revenues (1)	75,940	-	-	44,160	534	677,629	10,945	1,517	992	636
<b>Total revenues</b>	<b>18,340,863</b>	<b>20,324,304</b>	<b>21,491,912</b>	<b>22,366,342</b>	<b>22,703,218</b>	<b>23,477,606</b>	<b>23,462,552</b>	<b>24,189,762</b>	<b>24,414,976</b>	<b>25,071,865</b>
<b>Expenditures</b>										
<b>Current:</b>										
General government	1,323,584	1,291,679	1,425,780	1,683,829	1,718,369	1,580,439	1,648,943	1,743,557	1,734,835	1,695,379
Public safety	1,645,436	1,967,907	2,106,271	2,206,762	2,352,782	2,335,600	2,201,223	2,142,084	2,329,439	2,256,951
Public works	824,858	1,016,374	988,571	1,202,655	1,070,838	1,381,498	1,121,971	1,114,468	1,013,227	1,069,660
Recreation	148,248	164,729	157,197	182,558	175,014	173,508	208,995	203,284	248,048	254,973
Public and social services	245,307	148,678	151,075	153,741	158,272	166,094	119,102	119,618	127,115	125,250
Education	14,289,700	15,666,290	16,076,294	16,738,899	17,314,135	17,720,106	17,590,131	18,099,437	18,042,864	18,489,003
Capital Improvements (2)	-	-	-	-	-	-	-	-	-	-
<b>Debt service:</b>										
Principal	237,303	96,001	97,466	99,006	100,520	102,327	104,119	106,005	107,903	160,071
Interest	88,515	70,865	63,980	60,053	55,276	97,953	78,329	73,199	88,817	71,786
<b>Total expenditures</b>	<b>18,802,951</b>	<b>20,422,523</b>	<b>21,066,634</b>	<b>22,327,503</b>	<b>22,945,206</b>	<b>23,557,525</b>	<b>23,072,813</b>	<b>23,601,652</b>	<b>23,692,248</b>	<b>24,123,073</b>
<b>Excess of revenues over expenditures before other financing sources (uses)</b>	<b>(462,088)</b>	<b>(98,219)</b>	<b>425,278</b>	<b>38,839</b>	<b>(241,988)</b>	<b>(79,919)</b>	<b>389,739</b>	<b>588,110</b>	<b>722,728</b>	<b>948,792</b>
<b>Other financing sources (uses):</b>										
Proceeds from borrowing	76,186	130,802	25,980	148,728	67,452	300,629	-	-	-	-
Transfers from other funds	148,348	150,081	120,234	60,000	55,000	-	-	-	-	-
Transfers to other funds	(215,421)	(128,927)	(265,383)	(153,315)	(99,215)	(57,314)	(211,237)	(162,545)	(407,200)	(443,275)
<b>Total other financing sources (uses)</b>	<b>9,113</b>	<b>151,956</b>	<b>(119,169)</b>	<b>55,413</b>	<b>23,237</b>	<b>243,315</b>	<b>(211,237)</b>	<b>(162,545)</b>	<b>(407,200)</b>	<b>(443,275)</b>
<b>Net change in fund balances</b>	<b>\$ (452,975)</b>	<b>\$ 53,737</b>	<b>\$ 306,109</b>	<b>\$ 94,252</b>	<b>\$ (218,751)</b>	<b>\$ 163,396</b>	<b>\$ 178,502</b>	<b>\$ 425,565</b>	<b>\$ 315,528</b>	<b>\$ 505,517</b>
<b>Debt Service as a percentage of noncapital expenditures</b>	<b>1.73%</b>	<b>0.82%</b>	<b>0.77%</b>	<b>0.71%</b>	<b>0.68%</b>	<b>0.85%</b>	<b>0.79%</b>	<b>0.76%</b>	<b>0.83%</b>	<b>0.96%</b>

(1) Other revenue reclassified into charge for services 2005,2006

(2) Capital improvements in departmental general fund expenses not reflected only nonmajor governmental funds.

(3) Includes only General Fund and not funds combined with General Fund for financial reporting purposes in accordance with GASB 54.

**TOWN OF HOPKINTON, RHODE ISLAND**  
**Assessed Values and Actual Values of Taxable Property**  
**Last Ten Fiscal Years**  
**Unaudited**

<i>Fiscal Year</i>			<i>Tangible</i>			<i>Less</i>	<i>Total</i>	<i>Total</i>	
<i>Ending</i>	<i>Residential</i>	<i>Commercial*</i>	<i>Personal</i>		<i>Motor</i>	<i>Tax Exempt</i>	<i>Taxable</i>	<i>Direct</i>	<i>Tax</i>
<i>June 30</i>	<i>Property</i>	<i>Property</i>	<i>Property</i>	<i>Inventory</i>	<i>Vehicles</i>	<i>Property</i>	<i>Assessed</i>	<i>Tax</i>	<i>Levy</i>
							<i>Value</i>	<i>Rate</i>	
2004	\$ 690,749,000		\$ 16,905,210	\$ 1,247,560	\$ 50,433,965	\$ 31,389,075	\$ 727,946,660	\$ 15.02	\$ 10,932,077
2005	645,309,540	\$ 46,446,200	17,686,860	1,466,500	50,565,918	32,260,139	729,214,879	17.82	12,998,099
2006	706,496,600		18,687,400	1,663,820	57,162,544	35,083,646	748,926,718	18.72	14,019,545
2007	917,162,400	71,760,600	19,107,840	1,628,260	64,457,583	47,623,239	1,026,493,444	14.20	14,574,786
2008	933,891,400	75,151,300	19,829,680	1,410,150	66,907,277	48,178,796	1,049,011,011	14.39	15,091,659
2009	942,521,500	81,711,900	20,206,920		70,847,062	52,233,162	1,063,054,220	14.72	15,651,281
2010	947,901,100	79,335,150	18,496,680		61,935,422	51,542,119	1,056,126,233	14.95	15,794,049
2011	950,720,300	79,445,750	19,746,900		66,451,004	19,970,687	1,096,393,267	16.01	17,550,424
2012	762,201,500	73,392,100	20,486,870		74,713,855	25,171,601	905,622,724	19.47	17,630,987
2013	763,335,600	77,944,400	19,857,930		77,319,949	26,424,789	912,033,090	20.07	18,300,511

\*FY ending 2004 and 2006 Commercial property is included in the residential property valuation

Notes:

The State of Rhode Island has enacted legislation limiting the cap on property tax levy growth for cities and towns.

The cap was set at 5.5% in FY 2007-2008 reducing by .25% until FY 2012-13 when a 4% cap will be reached. FY 2012-13 tax cap was 4.0%.

Revaluation of real property is required by State law every 9 years. Hopkinton had a full revaluation in FY 2002-2003.

Statistical revaluations are required every 3 years. Hopkinton was not required to have statistical revaluations in FY 2008-2009 as

Hopkinton, Richmond, and Charlestown were to all be on the same revaluation cycle with a full revaluation in FY 2011-12.

Property is assessed at actual market value.

Inventory taxes were phased out in 2008 under RI General Law 44-3-29.1

Total Direct Tax Rate is the weighted average of all individual rates applied by the Town. The Motor Vehicle rate has been frozen since 2000 at \$21.18. In fiscal year 2012-2013 the property tax rate, excluding motor vehicles, was \$19.98.

**TOWN OF HOPKINTON, RHODE ISLAND**  
**Assessed Values and Actual Values of Taxable Property**  
**Calculation of Total Direct Tax Rate for Fiscal Year ended June 30, 2013**  
**Unaudited**

<i>Category</i>		<i>Assessed Value</i>	<i>Direct rate per \$1000</i>	<i>Total Tax Levy</i>
<b>Real Estate</b>				
<b>Residential</b>	\$ 763,335,600			
<b>Less Exemptions</b>	14,358,960			
<b>Net Residential</b>		\$ 748,976,640	\$ 19.98	\$ 14,964,528
<b>Commercial</b>				
<b>Commercial</b>	77,944,400			
<b>Less Exemptions</b>	-			
<b>Net Commercial</b>		77,944,400	19.98	1,557,329
<b>Tangible Property</b>				
<b>Tangible Property</b>		19,857,930	19.98	396,731
<b>Motor Vehicle</b>				
<b>Motor Vehicle</b>	77,319,949			
<b>Less Exemptions</b>	12,065,829			
<b>Net Motor Vehicle</b>		65,254,120	21.18	1,381,924
<b>Total</b>		<u>\$ 912,033,090</u>		<u>18,300,511</u>
<b>Total Tax Levy</b>				18,300,511
<b>Divided by Total Assessment</b>				912,033,090
<b>times 1000</b>				
<b>Weighted Average/Total Direct Rate</b>				<u>\$ 20.07</u>

**TOWN OF HOPKINTON, RHODE ISLAND**  
**Principal Property Taxpayers**  
**Current year and ten years ago**  
**Unaudited**

	<i>FY 2013</i>			<i>Percentage of Total Taxable Assessed Value</i>		<i>FY 2004</i>			<i>Percentage of Total Taxable Assessed Value</i>	
Hopkinton Industrial Park LLC	\$	9,164,900	1	1.00%						0.00%
Narragansett Electric		6,811,180	2	0.75%	\$	6,252,800	1			0.86%
New Canonchet Cliffs		5,023,400	3	0.55%						0.00%
Mashantucket Pequot		3,408,500	4	0.37%		2,412,300	5			0.33%
Saugatucket Springs		3,007,600	5	0.33%						0.00%
Fenner Hill Country Club		2,998,300	6	0.33%		3,815,700	2			0.52%
NE Ventures LLC		2,076,900	7	0.23%						0.00%
Shamrock Associates LLC		1,952,800	8	0.21%						0.00%
American Kuhne Inc.		1,781,600	9	0.20%						0.00%
LR6-A Owner LLC		1,716,900	10	0.19%						0.00%
Hopkinton Housing Association						2,035,800	7			0.28%
Hopkinton Village Inc						2,170,300	6			0.30%
Paxson Communications						1,597,640	9			0.22%
Shamrock Associates LLC						3,243,240	3			0.45%
Cox Communications Inc.						3,074,480	4			0.42%
Joseph Colette						1,839,200	8			0.25%
RI Boy Scouts						1,446,900	10			0.20%
Total		37,942,080		4.16%		27,888,360				3.83%
Total Taxable Assessed Value	\$	912,033,090			\$	727,946,660				

data from FY 2013 is from 2012 tax book

data from FY 2004 is from 2003 tax book

**TOWN OF HOPKINTON, RHODE ISLAND**  
**Property Tax Levy and Collections**  
**Last Ten Fiscal Years**  
**Unaudited**

<i>Fiscal Year</i>	<i>Actual</i>	<i>Gross</i>	<i>Adjustments</i>	<i>Net to be</i>	<i>Uncollected at</i>	<i>Uncollected</i>	<i>Uncollected at</i>
<i>Ending June 30</i>	<i>Tax Rate</i>	<i>Levy</i>	<i>Addendums</i>	<i>Collected</i>	<i>end of year levy</i>	<i>% of</i>	<i>June 30, 2013</i>
			<i>Additions</i>			<i>Net Levy</i>	
2004	\$ 14.77	\$ 10,932,077	\$ (94,001)	\$ 10,838,076	\$ 524,898	4.84%	\$ -
2005	17.71	12,998,099	26,223	13,024,322	676,308	5.19%	20,251
2006	18.64	14,019,545	(16,993)	14,002,552	713,201	5.09%	23,931
2007	14.00	14,574,786	22,212	14,596,998	935,528	6.41%	21,270
2008	14.19	15,091,659	(1,659)	15,090,000	980,879	6.50%	22,761
2009	14.50	15,651,281	(56,000)	15,595,281	797,740	5.12%	31,615
2010	14.79	15,794,049	(45,559)	15,748,490	800,969	5.09%	26,561
2011	15.69	17,550,424	(43,259)	17,507,165	788,872	4.51%	55,827
2012	19.34	17,630,987	(44,628)	17,586,359	685,646	3.90%	113,650
2013	19.98	18,300,511	10,162	18,310,673	731,520	4.00%	731,520

Notes:

Actual Tax rate is for all residential and commercial property. Motor Vehicles tax rate which is frozen at \$21.18.  
Inventory tax rates not noted.

After nine years the balance is written off as uncollectible.



CERTIFIED PUBLIC ACCOUNTANTS

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***REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS***

To the Honorable President and  
Members of the Town Council  
Hopkinton, Rhode Island

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Hopkinton, Rhode Island, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Hopkinton, Rhode Island's basic financial statements, and have issued our report thereon dated November 25, 2013.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Town of Hopkinton, Rhode Island's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 of Hopkinton, Rhode Island's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Hopkinton, Rhode Island's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a 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 consider the deficiency described in the accompanying schedule of findings and responses as item 13-1 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 13-2 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Hopkinton, Rhode Island's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Town of Hopkinton, Rhode Island's Response to Findings**

The Town of Hopkinton, Rhode Island's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town of Hopkinton, Rhode Island's response was not subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Bacon & Company, LLC*

Warwick, Rhode Island  
November 25, 2013

**TOWN OF HOPKINTON, RHODE ISLAND**  
**Schedule of Findings and Responses**  
**For the Fiscal Year Ended June 30, 2013**

**SEGREGATION OF DUTIES**

**13-1 Material Weakness** - The Finance Director and the Assistant to the Finance Director have job responsibilities that result in a lack of segregation of duties and as a result a weakness in internal controls. The same individual should not have custody of assets and also be responsible for initiating and recording transactions.

The Finance Director has complete responsibility for the general ledger and all financial reporting and is also responsible for signing checks, preparing and posting certain journal entries, reconciling the cash accounts, making deposits, authorizing certain payment vouchers and wiring cash between accounts.

The Assistant to the Finance Director is authorized to sign checks in the Finance Director's absence and is also responsible for preparing and posting journal entries, preparing the biweekly payroll, processing and preparing all vendor checks, accepting and preparing departmental deposits, and reconciling the cash accounts.

**Recommendation** - We recommend that the Town review the current job responsibilities within the Finance Department and take the appropriate steps to segregate certain duties, to ensure that the same individual is not responsible for custody of assets, and initiating and recording receipts and disbursements. In addition, all journal entries prepared should be reviewed and approved by a responsible official independent from the person responsible for preparing the journal entry. We also recommend that the Town consider adding staff to the Finance Department to allow for the proper segregation of duties and to strengthen the internal controls. Alternatively, internal controls in the Finance Office could also be strengthened by the monthly review of financial reports and reconciliations by an independent responsible official with knowledge of Town operations and financial reporting and accounting.

**Management Response** - The Finance office acknowledges the need for additional staffing and has requested the additional funding in the budget.

**13-2 Significant Deficiency** - The Tax Collector has job responsibilities that results in a lack of segregation of duties and as a result a weakness in internal controls. Due to staff limitations, the Tax Collector is responsible for accepting and recording tax payments, reconciling the daily receipts, preparing and making the daily deposit at the bank, posting abatements and monitoring delinquent accounts. The Tax Collector has custody of assets and is also responsible for initiating and recording transactions.

**Recommendation** - We recommend that the Town review the current job responsibilities of the Tax Collector to attempt to segregate certain responsibilities. We suggest that internal controls could be improved by having all daily reconciliation procedures completed by two individuals. We also recommend that delinquent accounts and adjustments to the subsidiary ledger be reviewed by another independent individual, in addition to the Tax Collector.

***TOWN OF HOPKINTON, RHODE ISLAND***  
***Schedule of Findings and Responses***  
***For the Fiscal Year Ended June 30, 2013***

***Management Response*** - The Collection office acknowledges the need for additional staffing but the funding is not available in this economic environment. The issue will be raised during the budget process.