

TOWN OF HOPKINTON, RHODE ISLAND
ANNUAL FINANCIAL STATEMENTS

**For the Fiscal Year Ended
June 30, 2009**

TOWN OF HOPKINTON, RHODE ISLAND
AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
 REQUIRED SUPPLEMENTARY INFORMATION:	
Management's Discussion and Analysis	3-12
 BASIC FINANCIAL STATEMENTS	
 Government-Wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
 Fund Financial Statements:	
Balance Sheet – Governmental Funds	15
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in the Fund Balances to Government-Wide Statement of Activities.....	18
Statement of Net Assets – Proprietary Funds	19
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	20
Statement of Cash Flows – Proprietary Funds.....	21-22
Notes to Basic Financial Statements	23-42
 REQUIRED SUPPLEMENTARY INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund	43
Pension Plans Schedule of Funding Progress	44
Notes to Required Supplementary Information	45-47
 OTHER SUPPLEMENTARY INFORMATION:	
Combining Balance Sheet – Nonmajor Governmental Funds	48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	49
Tax Collector's Annual Report.....	50
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	51-52
Appendix I	53

INDEPENDENT AUDITORS' REPORT

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

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, 2009, which collectively comprise the Town's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Town of Hopkinton, Rhode Island's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 23, 2009 on our consideration of the Town of Hopkinton, Rhode Island's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 12, and budgetary comparison schedule and supplementary pension information on pages 43 through 47 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bacon & Company, LLC

Warwick, Rhode Island
November 23, 2009

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, 2009. 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 \$3,210,342 or 13.66% of total 2009 budgeted revenues. This is an increase of \$163,396 from the prior year total fund balance.
- The total unreserved fund balance of the General Fund is \$3,195,713 or 13.60% of total 2009 budgeted revenues. This is an increase of \$230,093 from the prior year unreserved fund balance.
- The total reserved fund balance of the General Fund is \$14,629. This is a decrease of \$66,697 from the prior year reserved fund balance.
- The Town General Fund ended fiscal year 2009 with a budgetary operating surplus of \$272,396.
- Excluding a Bond Anticipation Note issued by the Land Trust, a component unit. The total bonded debt amount of the Town of Hopkinton decreased by \$102,327.
- 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 \$8,631,010. 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 assets increased by \$241,049 for the fiscal year ended June 30, 2009.

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

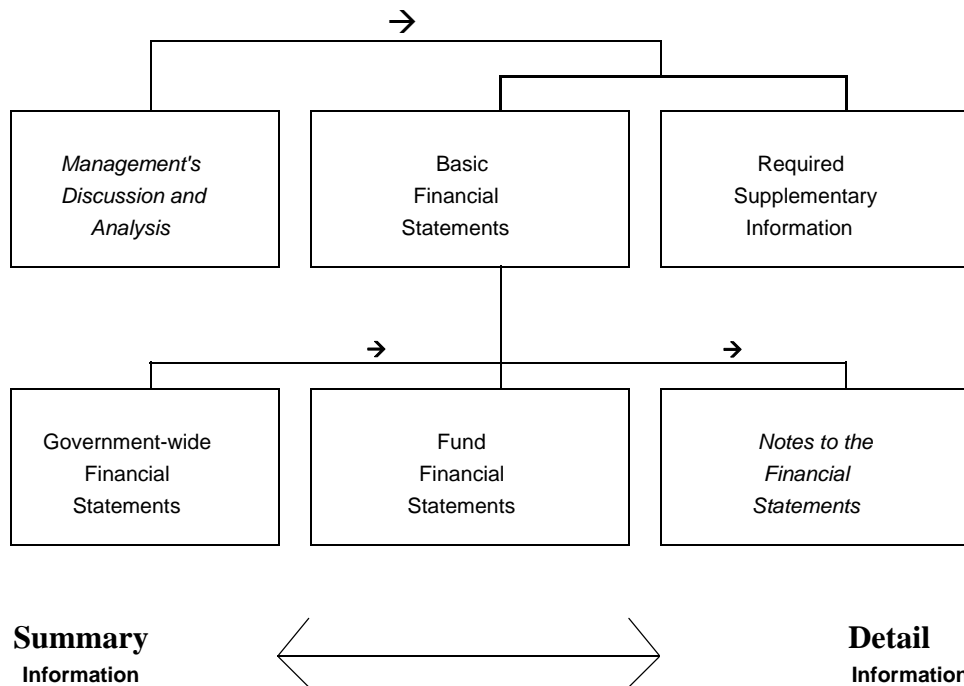


Figure A- 2

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 Assets; Statement of Activities	Balance Sheet; Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; Statement of Cash Flows	Statement of Fiduciary Net Assets; Statement of Changes in Fiduciary Net Assets
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 assets 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 assets* and how they have changed. Net assets – 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 assets 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 the Thayer House which houses both the Finance and Planning Departments, as well as being landlord to the US Postal Service. Activities of the Town's water service is also included here.
- *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 two enterprise funds. 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 Thayer House – Renting space to the US Postal Service.

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, 2009.

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 statutory fund balance for budgetary purposes and the 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 Assets

As noted earlier, net assets 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 \$8,631,010 as of June 30, 2009.

In regard to the Town's net assets (49.3%) 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 ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2008	2009	2008	2009	2008	2009
Current and other assets	\$ 5,438,181	\$ 5,191,366	\$ 8,842	\$ 32,952	\$ 5,447,023	\$ 5,224,318
Capital Assets	<u>4,336,992</u>	<u>4,654,303</u>	<u>612,691</u>	<u>586,772</u>	<u>4,949,683</u>	<u>5,241,075</u>
Total Assets	9,775,173	9,845,669	621,533	619,724	10,396,706	10,465,393
Current Liabilities	698,688	625,012	8,417	6,673	707,105	631,685
Long term liabilities	<u>1,299,640</u>	<u>1,202,698</u>	<u>-0-</u>	<u>-0-</u>	<u>1,299,640</u>	<u>1,202,698</u>
Total Liabilities	1,998,328	1,827,710	8,417	6,673	2,006,745	1,834,383
Net Assets:						
Invested in capital assets	3,494,001	3,691,645	570,230	560,630	4,064,231	4,252,275
Net of related debt						
Restricted	664,819	485,678			664,819	485,678
Unrestricted	<u>3,618,025</u>	<u>3,840,636</u>	<u>42,886</u>	<u>52,421</u>	<u>3,660,911</u>	<u>3,893,057</u>
Total net assets	<u>\$ 7,776,845</u>	<u>\$ 8,017,959</u>	<u>\$ 613,116</u>	<u>\$ 613,051</u>	<u>\$ 8,389,961</u>	<u>\$ 8,631,010</u>

Of the Town's net assets, \$485,678 (5.62%) represents resources that are subject to external restriction on how they may be used. Of this amount, \$333,503 is set aside for various capital projects.

Change in Net Assets

The total net assets of the Town of Hopkinton increased by \$241,049 during fiscal year 2008-2009.

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, 2009.

Governmental activities increased the Town's net assets by \$241,114 accounting for the Town's total growth in net assets, while business type activities decreased the Town's net assets by \$65.

TOWN OF HOPKINTON'S CHANGES IN NET ASSETS

	Government Activities		Business-Type		Total	
	2008	2009	2008	2009	2008	2009
Revenues						
Program						
Charges for services	\$ 735,170	\$ 580,927	\$ 39,740	\$ 33,889	\$ 774,910	\$ 614,816
Operating/Capital grants and contribution	6,638,803	6,161,856			6,638,803	6,161,856
General revenues						
Property taxes	15,155,706	15,789,643			15,155,706	15,789,643
State Aid	1,146,891	1,052,338			1,146,891	1,052,338
Investment earnings	91,456	54,100	1,112	154	92,568	54,254
Miscellaneous	1,727	33,596			1,727	33,596
Total Revenues	23,769,753	23,672,460	40,852	34,043	23,810,605	23,706,503
Program Expenses						
General government	1,780,255	1,600,504			1,780,255	1,600,504
Recreation	202,644	204,295			202,644	204,295
Public safety	2,418,971	2,348,864			2,418,971	2,348,864
Public works	1,255,535	1,188,734			1,255,535	1,188,734
Social services	463,913	267,526			463,913	267,526
Education	17,314,135	17,720,106			17,314,135	17,720,106
Interest on long-term debt	55,217	101,317			55,217	101,317
Water Fund			24,873	24,619	24,873	24,619
Thayer House			10,109	9,489	10,109	9,489
Total Expenses	23,490,670	23,431,346	34,982	34,108	23,525,652	23,465,454
Change in net assets	279,083	241,114	5,870	(65)	284,953	241,049
Net assets beginning of year	7,497,762	7,776,845	607,246	613,116	8,105,008	8,389,961
Net assets end of year	\$ 7,776,845	\$ 8,017,959	\$ 613,116	\$ 613,051	\$ 8,389,961	\$ 8,631,010

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 unreserved 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, 2009, the Town's governmental funds reported combined ending fund balances of \$4,229,837. The General Fund reported an unreserved fund balance of \$3,195,713 representing approximately 75.55% of total fund balance.

Reserved/designated General fund balance:

Advance to Enterprise Fund (Thayer House) 14,629

Total Reserved/designated Fund Balance \$ 14,629

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 assets of the respective proprietary funds are the Hopkinton Water Supply Fund \$41,866 and the Thayer House \$10,555.

The Town of Hopkinton's General Fund Budgetary Items

The Town General Fund shows an operating surplus of \$163,396. The budget was in excess of \$23.5 million this amount is less than 1% of the budget projections by Town officials. The largest surplus was in the collection of tax revenue which was \$178,926 more than anticipated. The reduction in the State and Federal Aid was due to the reduction of aid to the school system and the reduction of General Revenue Sharing aid totaling more than \$700,000. The Chariho School System returned to the Town an amount equal to the amount that was reduced by the State which is reported as other revenue.

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 \$5,229,562 net of accumulated depreciation at June 30, 2009. Included are land, building 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	
	2008	2009	2008	2009	2008	2009
Land	\$ 334,085	\$ 334,085	\$ 15,385	\$ 15,385	\$ 349,470	\$ 349,470
Construction in progress		165,879				165,879
Buildings and improvements	2,045,805	2,131,524	209,505	200,987	2,255,310	2,332,511
Motor vehicles	332,862	513,691			332,862	513,691
Furniture and equipment	131,220	114,737			131,220	114,737
Infrastructure	1,493,020	1,394,387	369,288	358,887	1,862,308	1,753,274
Total	\$ 4,336,992	\$ 4,654,303	\$ 594,178	\$575,259	\$ 4,931,170	\$ 5,229,562

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 \$1,122,117.

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

	Gov Activities	Component Unit	Total
Gen Obligation Bonds	\$1,122,117		\$1,122,117
Capital Leases Payable	247,183		247,183
Bond Anticipation Note		\$1,000,000	1,000,000
Totals	\$1,369,300	\$1,000,000	\$2,369,300

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 \$31,891,627 at year-end. The Town's outstanding general obligation debt subject to the limit is \$2,122,117 at year-end, which is \$29,769,510 under the State imposed limitation.

Subsequent Fiscal Year 2009-2010 Budget and Tax Rates

The Town of Hopkinton's total general fund budget for fiscal year 09/10 is \$23,200,897, which reflects a decrease of \$299,352 from the fiscal 08/09 budget. In the Town's 09/10 budget, \$17,590,131 or 75.8% is allocated for educational purposes and \$5,610,766 or 24.2% is budgeted for other purposes.

Of the \$17,590,131 budgeted for educational purposes, the State of Rhode Island has budgeted for fiscal year 09/10 to contribute \$5,767,668 to the Town's education expense and the Town is budgeted to contribute \$11,822,463.

The Town's tax rate for fiscal year 09/10 is \$14.79 per thousand for real estate and tangible personal property and \$21.18 per hundred for motor vehicles. The tax rate for fiscal year 08/09 was \$14.50 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 Assets
June 30, 2009

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Land Trust</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 3,511,838	\$ 21,506	\$ 3,533,344	\$ 904,440
Receivables:				
Property taxes, net of allowance for uncollectible accounts	872,481	-	872,481	-
Accounts receivable, user fees -net	-	19,075	19,075	-
Due from federal and state government	736,476	-	736,476	-
Other	55,942	-	55,942	-
Internal balances	14,629	(14,629)	-	-
Current portion of prepaid expenses	-	7,000	7,000	-
Total current assets	<u>5,191,366</u>	<u>32,952</u>	<u>5,224,318</u>	<u>904,440</u>
Noncurrent assets:				
Land and land rights	334,085	15,385	349,470	1,733,913
Construction in progress	165,879	-	165,879	-
Depreciable buildings, equipment and infrastructure, net	4,154,339	559,874	4,714,213	23,925
Prepaid expenses, net of current portion	-	11,513	11,513	-
Total noncurrent assets	<u>4,654,303</u>	<u>586,772</u>	<u>5,241,075</u>	<u>1,757,838</u>
Total assets	<u>9,845,669</u>	<u>619,724</u>	<u>10,465,393</u>	<u>2,662,278</u>
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	308,596	6,673	315,269	-
Accrued interest payable	15,733	-	15,733	-
Unearned revenue	4,750	-	4,750	-
Bond anticipation note payable	-	-	-	1,000,000
Long-term debt -due within one year	295,933	-	295,933	-
Total current liabilities	<u>625,012</u>	<u>6,673</u>	<u>631,685</u>	<u>1,000,000</u>
Noncurrent liabilities				
Long-term debt -due in more than one year	1,202,698	-	1,202,698	-
Total noncurrent liabilities	<u>1,202,698</u>	<u>-</u>	<u>1,202,698</u>	<u>-</u>
Total liabilities	<u>1,827,710</u>	<u>6,673</u>	<u>1,834,383</u>	<u>1,000,000</u>
Net Assets:				
Invested in capital assets, net of related debt	3,691,645	560,630	4,252,275	757,838
Restricted for:				
Capital projects	333,503	-	333,503	-
Permanent fund:				
Expendable	7,762	-	7,762	-
Nonexpendable	7,278	-	7,278	-
Other purposes	137,135	-	137,135	-
Unrestricted	3,840,636	52,421	3,893,057	904,440
Total net assets	<u>\$ 8,017,959</u>	<u>\$ 613,051</u>	<u>\$ 8,631,010</u>	<u>\$ 1,662,278</u>

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, 2009

<i>Functions/Programs</i>	<i>Expenses</i>	<i>Program Revenues</i>			<i>Net (Expense) Revenue and Changes in Net Assets</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>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>	
Primary government:								
Governmental Activities:								
General government	\$ 1,600,504	\$ 368,582	\$ -	\$ -	\$ (1,231,922)	\$ -	\$ (1,231,922)	\$ -
Public safety	2,348,864	128,086	69,878	-	(2,150,900)	-	(2,150,900)	-
Public works	1,188,734	1,486	-	-	(1,187,248)	-	(1,187,248)	-
Recreation	204,295	82,773	-	135,879	14,357	-	14,357	-
Public and social services	267,526	-	162,125	-	(105,401)	-	(105,401)	-
Education	17,720,106	-	5,793,974	-	(11,926,132)	-	(11,926,132)	-
Debt service, interest	101,317	-	-	-	(101,317)	-	(101,317)	-
Total governmental activities	23,431,346	580,927	6,025,977	135,879	(16,688,563)	-	(16,688,563)	-
Business-Type Activities:								
Water supply	24,619	21,809	-	-	-	(2,810)	(2,810)	-
Thayer house	9,489	12,080	-	-	-	2,591	2,591	-
Total business-type activities	34,108	33,889	-	-	-	(219)	(219)	-
Total primary government	\$ 23,465,454	\$ 614,816	\$ 6,025,977	\$ 135,879	(16,688,563)	(219)	(16,688,782)	-
Component Unit:								
Land trust	\$ 45,847	\$ 504	\$ 39,925	\$ 225,000	-	-	-	219,582
General Revenues:								
Property taxes					15,789,643	-	15,789,643	-
State aid and grants not restricted for a specific purpose					1,052,338	-	1,052,338	-
Investment earnings					54,100	154	54,254	9,135
Miscellaneous					33,596	-	33,596	-
Total general revenues					16,929,677	154	16,929,831	9,135
Change in net assets								
Net assets - beginning of year, restated					241,114	(65)	241,049	228,717
Net assets - end of year					\$ 7,776,845	613,116	8,389,961	1,433,561
					\$ 8,017,959	\$ 613,051	\$ 8,631,010	\$ 1,662,278

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

TOWN OF HOPKINTON, RHODE ISLAND
Balance Sheet
Governmental Funds
June 30, 2009

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash	\$ 2,655,242	\$ 856,596	\$ 3,511,838
Receivables:			
Property taxes, net of allowance for doubtful accounts of \$113,000	872,481	-	872,481
Due from federal and state government	626,426	110,050	736,476
Other	14,255	41,687	55,942
Due from other funds	76,500	205,653	282,153
Advance to enterprise funds	14,629	-	14,629
Total assets	<u>\$ 4,259,533</u>	<u>\$ 1,213,986</u>	<u>\$ 5,473,519</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable and accrued expenditures	\$ 236,889	\$ 71,707	\$ 308,596
Due to other funds	197,723	84,430	282,153
Deferred revenue	614,579	38,354	652,933
Total liabilities	<u>1,049,191</u>	<u>194,491</u>	<u>1,243,682</u>
Fund balances			
Reserved for:			
Long-term advance to enterprise fund	14,629	-	14,629
Perpetual care	-	2,400	2,400
Tercentennial	-	4,878	4,878
Unreserved:			
Designated for subsequent year	-	-	-
Undesignated reported in:			
General fund	3,195,713	-	3,195,713
Special revenue funds	-	589,803	589,803
Capital projects funds	-	414,652	414,652
Permanent fund	-	7,762	7,762
Total fund balances	<u>3,210,342</u>	<u>1,019,495</u>	<u>4,229,837</u>
Total liabilities and fund balances	<u>\$ 4,259,533</u>	<u>\$ 1,213,986</u>	<u>\$ 5,473,519</u>

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 Assets
June 30, 2009

Total Fund Balances - Total Governmental Funds	\$ 4,229,837
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:	
Capital assets used in Governmental Activities are not current financial resources and, therefore, are not reported in the Governmental Funds Balance Sheet.	4,654,303
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.	609,829
Other accounts receivable and revenues are not available to pay for current period expenditures and, therefore, are deferred in the Governmental Funds Financial Statements.	38,354
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.	(15,733)
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.	<u>(1,498,631)</u>
Net Assets - Governmental Activities	<u><u>\$ 8,017,959</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, 2009

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Property taxes	\$ 15,798,540	\$ -	\$ 15,798,540
Federal and state grants and aid	6,233,862	297,472	6,531,334
Charges for services	727,294	36,630	763,924
Private grants and contributions	-	1,995	1,995
Interest on investments	40,281	13,819	54,100
Other revenues	677,629	-	677,629
Total revenues	<u>23,477,606</u>	<u>349,916</u>	<u>23,827,522</u>
Expenditures:			
Current:			
General government	1,580,439	25,331	1,605,770
Public safety	2,335,600	74,920	2,410,520
Public works	1,381,498	180,794	1,562,292
Recreation	173,508	99,046	272,554
Public and social services	166,094	132,183	298,277
Education	17,720,106	-	17,720,106
Debt service:			
Principal	102,327	-	102,327
Interest	97,953	-	97,953
Total expenditures	<u>23,557,525</u>	<u>512,274</u>	<u>24,069,799</u>
Deficiency of revenues under expenditures before other financing sources (uses)	<u>(79,919)</u>	<u>(162,358)</u>	<u>(242,277)</u>
Other financing sources (uses):			
Capital lease proceeds	300,629	-	300,629
Transfers from other funds	-	67,314	67,314
Transfers to other funds	(57,314)	(10,000)	(67,314)
Total other financing sources (uses)	<u>243,315</u>	<u>57,314</u>	<u>300,629</u>
Net change in fund balances	<u>163,396</u>	<u>(105,044)</u>	<u>58,352</u>
Fund balances - beginning of year	3,058,583	1,123,280	4,181,863
Adjustments to prior years	(11,637)	1,259	(10,378)
Restated fund balances - beginning of year	<u>3,046,946</u>	<u>1,124,539</u>	<u>4,171,485</u>
Fund balances - end of year	<u>\$ 3,210,342</u>	<u>\$ 1,019,495</u>	<u>\$ 4,229,837</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, 2009

Net Changes in Fund Balances - Total Governmental Funds	\$ 58,352
 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.	634,448
Depreciation expense and loss on disposal on capital assets are reported in the Government-Wide Statement of Activities, but do not require the use of current financial resources. Therefore, depreciation expense and loss on disposal are not reported as expenditures in the Governmental Fund Financial Statements.	(353,970)
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.	112,602
Capital lease proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets.	(300,629)
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 Assets.	248,736
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.	(3,364)
Contributions of capital assets are not reported in the Governmental Fund Financial Statements since they do not provide current financial resources to Governmental Funds, but are recorded in the Statement of Activities.	36,833
Revenues in the Statement of Activities that are not available in Governmental Funds are not reported as revenue in the Governmental Fund Financial Statements.	<u>(191,894)</u>
 Change in Net Assets - Governmental Activities	 <u><u>\$ 241,114</u></u>

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

TOWN OF HOPKINTON, RHODE ISLAND
Statement of Net Assets
Proprietary Funds
June 30, 2009

	<u>Business-Type Activities</u>		
	<u>Enterprise Funds</u>		<u>Total</u>
	<u>Water Supply</u>	<u>Thayer House</u>	
Assets			
Current assets			
Cash and cash equivalents	\$ 10,951	\$ 10,555	\$ 21,506
Accounts receivable, user fees - net	19,075	-	19,075
Current portion of prepaid expenses	7,000	-	7,000
Total current assets	<u>37,026</u>	<u>10,555</u>	<u>47,581</u>
Noncurrent assets			
Nondepreciable capital assets	-	15,385	15,385
Depreciable capital assets - net	358,887	200,987	559,874
Prepaid expenses, net of current portion	11,513	-	11,513
Total noncurrent assets	<u>370,400</u>	<u>216,372</u>	<u>586,772</u>
Total assets	<u>407,426</u>	<u>226,927</u>	<u>634,353</u>
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	6,673	-	6,673
Current portion of advance from general fund	-	9,779	9,779
Total current liabilities	<u>6,673</u>	<u>9,779</u>	<u>16,452</u>
Noncurrent liabilities			
Advance from general fund, net of current portion	-	4,850	4,850
Total noncurrent liabilities	<u>-</u>	<u>4,850</u>	<u>4,850</u>
Total liabilities	<u>6,673</u>	<u>14,629</u>	<u>21,302</u>
Net assets			
Invested in capital assets, net of related debt	358,887	201,743	560,630
Unrestricted	41,866	10,555	52,421
Total net assets	<u>\$ 400,753</u>	<u>\$ 212,298</u>	<u>\$ 613,051</u>

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 Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2009

	<u>Business-Type Activities</u>		<u>Total</u>
	<u>Enterprise Funds</u>		
	<u>Water Supply</u>	<u>Thayer House</u>	
Operating revenues			
User fees	\$ 21,809	\$ -	\$ 21,809
Rent	-	12,080	12,080
Total operating revenues	<u>21,809</u>	<u>12,080</u>	<u>33,889</u>
Operating expenses			
Water purchases	13,673	-	13,673
Repairs and maintenance	544	-	544
Depreciation	10,402	8,517	18,919
Total operating expenses	<u>24,619</u>	<u>8,517</u>	<u>33,136</u>
Operating income (loss)	<u>(2,810)</u>	<u>3,563</u>	<u>753</u>
Nonoperating revenues (expenses)			
Interest income	21	133	154
Interest expense	-	(972)	(972)
Total nonoperating revenues (expenses)	<u>21</u>	<u>(839)</u>	<u>(818)</u>
Change in net assets	(2,789)	2,724	(65)
Total net assets - beginning of year	<u>403,542</u>	<u>209,574</u>	<u>613,116</u>
Total net assets - end of year	<u>\$ 400,753</u>	<u>\$ 212,298</u>	<u>\$ 613,051</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, 2009

	<i>Business-Type Activities</i>		<i>Total</i>
	<i>Enterprise Funds</i>		
	<i>Water Supply</i>	<i>Thayer House</i>	
<i>Cash flows from operating activities</i>			
Cash received from customers for user fees	\$ 27,173	\$ -	\$ 27,173
Cash received from tenant	-	11,074	11,074
Cash paid to suppliers	(7,955)	-	(7,955)
<i>Net cash provided by operating activities</i>	19,218	11,074	30,292
 <i>Cash flows from capital and related financing activities</i>			
Principal paid on advance from general fund	(10,000)	(9,317)	(19,317)
Interest paid on advance from general fund	-	(972)	(972)
<i>Net cash used for capital and related financing activities</i>	(10,000)	(10,289)	(20,289)
 <i>Cash flows from investing activities</i>			
Interest received	21	133	154
<i>Net cash provided by investing activities</i>	21	133	154
 <i>Net increase in cash and cash equivalents</i>	9,239	918	10,157
<i>Cash and cash equivalents - beginning of year</i>	1,712	9,637	11,349
<i>Cash and cash equivalents - end of year</i>	\$ 10,951	\$ 10,555	\$ 21,506

(Continued)

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, 2009

	<i>Business-Type Activities</i>		
	<i>Enterprise Funds</i>		<i>Total</i>
	<i>Water Supply</i>	<i>Thayer House</i>	
<i>Reconciliation of operating income (loss) to net cash provided by operating activities:</i>			
Operating income (loss)	\$ (2,810)	\$ 3,563	\$ 753
<i>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:</i>			
Depreciation	10,402	8,517	18,919
Changes in assets and liabilities:			
Decrease in accounts receivable, user fees	5,364	-	5,364
Decrease in prepaid expenses	7,000	-	7,000
Decrease in accounts payable and accrued expenses	(738)	-	(738)
Decrease in unearned revenue	-	(1,006)	(1,006)
	-	(1,006)	(1,006)
<i>Net cash provided by operating activities</i>	\$ 19,218	\$ 11,074	\$ 30,292

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

TOWN OF HOPKINTON, RHODE ISLAND

Notes to Financial Statements

June 30, 2009

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." A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable or for which the nature and significance of its relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Through the application of GASB Statements Nos. 14 and 39 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, 2009

B. BASIS OF PRESENTATION

Government-Wide Financial Statements

The Town's Government-Wide Financial Statements include a Statement of Net Assets 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 assets. 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 assets and changes in net assets presented in the Government-Wide Financial Statements. Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows. Fiduciary Fund Financial Statements include a Statement of Net Assets and a Statement of Changes in Net Assets. 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, 2009

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 except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for specific purposes. The Town has no major special revenue funds for the year ended June 30, 2009.

Capital Project Funds – Capital project funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items. The Town has no major capital projects funds for the fiscal year ended June 30, 2009.

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, 2009.

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, 2009, the Town had two proprietary funds, the Thayer House Fund and the Water Supply Fund, both major funds.

The Thayer House is a historic building that accommodates the Town Finance and Planning Departments as well as the U.S. Postal Service. 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, 2009, the Town had no fiduciary funds.

TOWN OF HOPKINTON, RHODE ISLAND

Notes to Financial Statements

June 30, 2009

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 as well as infrastructure assets and long-term liabilities are all included in the Statement of Net Assets. 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 they are 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 (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 Assets. The Statement of Revenues, Expenses and Changes in Net Assets present increases (revenues) and decreases (expenses) in total net assets. 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 Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds 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.

The Town applies to the Business-Type Activities and Enterprise Funds all applicable GASB pronouncements (including all NCGA Statements in Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure.

TOWN OF HOPKINTON, RHODE ISLAND

Notes to Financial Statements

June 30, 2009

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.

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 in quarterly installments by September 15, December 15, March 15 and June 15. Failure to make payments by March 10 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 5% 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 Assets 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 assets.

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, 2009

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 Assets. 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. 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.

TOWN OF HOPKINTON, RHODE ISLAND

Notes to Financial Statements

June 30, 2009

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, 2009.

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.

J. 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.

K. 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.

L. FUND EQUITY

Government-Wide Financial Statements:

The Government-Wide Financial Statements utilize a net asset presentation. Net assets are segregated into the following three components:

Invested in capital assets, net of related debt – 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.

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.

TOWN OF HOPKINTON, RHODE ISLAND

Notes to Financial Statements

June 30, 2009

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

Fund Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Reserved fund balances represent those portions of fund equity not available for appropriation for expenditures or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

M. 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 \$31,891,627. As of June 30, 2009, the Town’s debt subject to the legal debt margin is \$2,122,117 and the Town is under the debt limit by \$29,769,510. The debt subject to the debt limitation is based on the type of debt that is issued.

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 Assets as “Cash and Cash Equivalents”.

	<i>Carrying Amount</i>
Total Deposits	\$4,425,237
Add: Petty cash and cash on hand	<u>12,547</u>
<i>Total Cash and Cash Equivalents</i>	
<i>Reported in the Financial Statements</i>	<u><u>\$4,437,784</u></u>

TOWN OF HOPKINTON, RHODE ISLAND

Notes to Financial Statements

June 30, 2009

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, 2009, \$3,505,695 of the Town’s bank balance of \$4,534,817 was exposed to custodial credit risk as follows:

	<u>Bank Balance</u>
Insured (Federal depository insurance funds)	\$1,029,122
Collateralized held by pledging bank’s trust department in the Town’s name	173,962
Uninsured and uncollateralized	<u>3,331,733</u>
Total	<u>\$4,534,817</u>

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, 2009, the Town's uncollateralized deposits with institutions were \$3,331,733. 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, 2009. 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, 2009

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June, 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Nondepreciable assets:				
Land	\$ 334,085	\$ -	\$ -	\$ 334,085
Construction in progress	-	165,879	-	165,879
	<u>334,085</u>	<u>165,879</u>	<u>-</u>	<u>499,964</u>
Depreciable assets:				
Infrastructure	21,387,986	-	-	21,387,986
Buildings and improvements	3,313,774	151,345	-	3,465,119
Furniture and equipment	751,571	16,335	-	767,906
Motor vehicles	895,624	337,722	113,842	1,119,504
	<u>26,348,955</u>	<u>505,402</u>	<u>113,842</u>	<u>26,740,515</u>
Total capital assets	<u>26,683,040</u>	<u>671,281</u>	<u>113,842</u>	<u>27,240,479</u>
Less accumulated depreciation for:				
Infrastructure	19,894,966	98,633	-	19,993,599
Buildings and improvements	1,267,969	65,626	-	1,333,595
Furniture and equipment	620,351	32,818	-	653,169
Motor vehicles	562,762	116,961	73,910	605,813
Total accumulated depreciation	<u>22,346,048</u>	<u>314,038</u>	<u>73,910</u>	<u>22,586,176</u>
Governmental Activities capital assets, net	<u>\$ 4,336,992</u>	<u>\$ 357,243</u>	<u>\$ 39,932</u>	<u>\$ 4,654,303</u>
Business-Type Activities				
Nondepreciable assets:				
Land	\$ 15,385	\$ -	\$ -	\$ 15,385
	<u>15,385</u>	<u>-</u>	<u>-</u>	<u>15,385</u>
Depreciable assets:				
Building improvements	318,690	-	-	318,690
Water lines	520,092	-	-	520,092
	<u>838,782</u>	<u>-</u>	<u>-</u>	<u>838,782</u>
Total capital assets	<u>854,167</u>	<u>-</u>	<u>-</u>	<u>854,167</u>
Less accumulated depreciation for:				
Building improvements	109,185	8,518	-	117,703
Water lines	150,804	10,401	-	161,205
Total accumulated depreciation	<u>259,989</u>	<u>18,919</u>	<u>-</u>	<u>278,908</u>
Business-Type Activities capital assets, net	<u>\$ 594,178</u>	<u>\$ (18,919)</u>	<u>\$ -</u>	<u>\$ 575,259</u>

TOWN OF HOPKINTON, RHODE ISLAND

Notes to Financial Statements

June 30, 2009

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<i>Capital asset activity for the Land Trust for the year ended June 30, 2009 is as follows:</i>				
Nondepreciable assets:				
Land and land rights	\$ 1,614,413	\$ 119,500	\$ -	\$ 1,733,913
	<u>1,614,413</u>	<u>119,500</u>	<u>-</u>	<u>1,733,913</u>
Depreciable assets:				
Improvements other than buildings	33,000	-	-	33,000
Less accumulated depreciation for:				
Improvements other than buildings	7,425	1,650	-	9,075
Depreciable assets, net	<u>25,575</u>	<u>1,650</u>	<u>-</u>	<u>23,925</u>
Land Trust Capital Assets, Net	<u>\$ 1,639,988</u>	<u>\$ 117,850</u>	<u>\$ -</u>	<u>\$ 1,757,838</u>
Depreciation expense was charged as follows:				
Governmental activities:				
General government		\$ 4,426		
Public safety		92,249		
Public works		185,497		
Recreation		31,866		
Total Depreciation Expense, Governmental Activities		<u>\$ 314,038</u>		
Business-type activities:				
Water supply		\$ 10,402		
Thayer house		8,517		
Total Depreciation Expense, Business-Type Activities		<u>\$ 18,919</u>		

NOTE 6 – LONG-TERM LIABILITIES

A. LONG-TERM LIABILITIES:

Changes in long-term liabilities during the year ended June 30, 2009 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<i>Governmental Activities:</i>					
General obligation bonds payable	\$ 1,224,444	\$ -	\$ 102,327	\$ 1,122,117	\$ 104,120
Capital leases	92,963	300,629	146,409	247,183	100,905
Accrued compensated absences	241,933	3,100	115,702	129,331	90,908
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 1,559,340</u>	<u>\$ 303,729</u>	<u>\$ 364,438</u>	<u>\$ 1,498,631</u>	<u>\$ 295,933</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, 2009

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, 2008</u>	<u>New Issues</u>	<u>Maturities During Year</u>	<u>Outstanding June 30, 2009</u>
Rhode Island Clean Water Finance Agency	6/29/1994	3.04%	9/1/2014	\$ 1,346,179	\$ 474,416	\$ -	\$ 67,774	\$ 406,642
Police Station Fund: Dime Savings Bank	4/25/2003	5.00%	5/1/2023	900,000	750,028	-	34,553	715,475
Total governmental activities bonds payable					\$ 1,224,444	\$ -	\$ 102,327	\$ 1,122,117

At June 30, 2009, 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>
2010	\$ 104,120	\$ 48,615	\$ 152,735
2011	106,005	44,334	150,339
2012	107,903	40,040	147,943
2013	110,071	35,476	145,547
2014	112,266	30,884	143,150
2015-2019	327,283	100,598	427,881
2020-2023	254,469	26,677	281,146
	\$ 1,122,117	\$ 326,624	\$ 1,448,741

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
 June 30, 2009

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, 2008</u>	<u>New Issues</u>	<u>Retirements During Year</u>	<u>Outstanding June 30, 2009</u>
Police vehicle	10/20/2006	5.80%	10/20/2008	\$ 28,385	\$ 9,451	\$ -	\$ 9,451	\$ -
Dump truck	1/23/2007	6.60%	1/23/2009	95,748	31,873	-	31,873	-
Truck	4/30/2007	6.50%	4/30/2009	24,595	8,187	-	8,187	-
Police vehicles	9/5/2007	6.90%	9/5/2009	67,452	43,452	-	21,001	22,451
Dump trucks	8/21/2008	4.59%	8/21/2011	250,000	-	250,000	66,897	183,103
Police vehicles	6/15/2009	5.90%	6/15/2011	50,629	-	50,629	9,000	41,629
Total capital leases					\$ 92,963	\$ 300,629	\$ 146,409	\$ 247,183

Obligation of governmental activities under capital leases at June 30, 2009 were as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Lease Payment Requirements</u>
2010	\$ 113,571
2011	89,571
2012	66,897
Total minimum lease payments	270,039
Less: Amount representing interest cost	(22,856)
Present value of minimum lease payments	<u>\$ 247,183</u>

TOWN OF HOPKINTON, RHODE ISLAND

Notes to Financial Statements

June 30, 2009

NOTE 7 – SHORT – TERM DEBT

The Town issued a short-term general obligation tax anticipation note in the amount of \$500,000 on September 3, 2008, maturing on April 15, 2009 with an interest rate of 2.8%. The proceeds were deposited to the General Fund.

The Town issued a short-term general obligation bond anticipation note in the amount of \$1,000,000 on December 19, 2008, maturing on December 1, 2009 with an interest rate of 3.25%. The proceeds were used to pay off a general obligation bond anticipation note of \$1,000,000 due on December 19, 2008.

Short-term debt activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<i>Governmental Activities</i>					
TAN payable:	\$ -	\$ 500,000	\$ 500,000	\$ -	\$ -
<i>Component Unit</i>					
BAN payable:	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000

NOTE 8 – INTERFUND BALANCES

The Town reports interfund balances between many of its funds. Interfund balances at June 30, 2009 were as follows:

	<u>Due From:</u>			<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Thayer House</u>	
General Fund	\$ -	\$ 76,500	\$ 14,629	\$ 91,129
Nonmajor Governmental Funds	197,723	7,930	-	205,653
Total	<u>\$ 197,723</u>	<u>\$ 84,430</u>	<u>\$ 14,629</u>	<u>\$ 296,782</u>

The advance balance of \$14,629 from the General Fund to the Thayer House is being repaid in monthly installments of \$857 through December 1, 2010.

The other 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.

TOWN OF HOPKINTON, RHODE ISLAND

Notes to Financial Statements

June 30, 2009

NOTE 9 – INTERFUND TRANSFERS

	<i>Transfer From:</i>		
	<i>General Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total</i>
<i>Transfer To:</i>			
Nonmajor Governmental Funds	\$ 57,314	\$ 10,000	\$ 67,314
Total	<u>\$ 57,314</u>	<u>\$ 10,000</u>	<u>\$ 67,314</u>

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 10 – 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 \$113,000. The accounts receivable-user fees include an allowance for doubtful accounts of \$1,000.

B. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounts payable and accrued liabilities at June 30, 2009, were as follows:

	<i>Vendors</i>	<i>Salaries and Benefits</i>	<i>Other</i>	<i>Total</i>
Governmental Activities:				
General	\$ 55,615	\$ 174,836	\$ 6,438	\$ 236,889
Nonmajor governmental funds	71,707	-	-	71,707
Total Governmental Activities	<u>\$ 127,322</u>	<u>\$ 174,836</u>	<u>\$ 6,438</u>	<u>\$ 308,596</u>
Business-Type Activities:				
Water Supply	\$ 6,673	\$ -	\$ -	\$ 6,673
Total Business-Type Activities	<u>\$ 6,673</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,673</u>

TOWN OF HOPKINTON, RHODE ISLAND

Notes to Financial Statements

June 30, 2009

NOTE 11 – 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, RI 02894.

NOTE 12 – 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, 2009.

NOTE 13 – 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.

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2009

NOTE 14 – OPERATING LEASES

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

Year Ending June 30,

2010	\$12,080
2011	12,646
2012	12,835
2013	12,835
2014	12,835
2015	12,835
2016	3,209
	<u>\$79,275</u>

NOTE 15 – PRIOR PERIOD ADJUSTMENTS AND RESTATEMENTS

The following prior period adjustments and restatements have been recorded to the beginning net assets/fund balances: a prior period adjustment of \$(11,637) was made in the Governmental Activities and General Fund to correct the recording of tax title properties; a prior period adjustment of \$1,259 was made in the Governmental Activities and Other Governmental Funds to correct prior year expenditures; and a prior period adjustment of \$26,890 was recorded in Governmental Activities to correct prior year compensated absences.

NOTE 16 – PENSION PLAN

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND

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 employees participate in the MERS. The payroll for employees covered by the MERS for the year ended June 30, 2009 was \$2,395,394 (General employees - \$1,513,465, Police officers - \$881,929).

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, 40 Fountain Street, Providence, Rhode Island.

TOWN OF HOPKINTON, RHODE ISLAND

Notes to Financial Statements

June 30, 2009

Plan Description

The following eligibility and benefit provisions 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 State Statute. The MERS generally provides retirement benefits equal to 2% of a member's final average salary multiplied by the number years of total service up to 37.5 years, to a maximum benefit of 75% of final average salary. Final average salary is the average of the three highest consecutive years of earned salary exclusive of overtime, bonuses or severance pay. Such benefits are available to general employees at least age 58 with 10 years of service or after 30 years regardless of age. Such benefits are also available to police and firefighters at or after age 55 with 10 years of service or after 25 years regardless of age. Under the 20-year service optional plan, police and firefighters may retire after 20 years of service with no restriction on age. This optional plan provides a benefit equal to 2.5% of final average salary per year of service up to 30 years, to a maximum benefit of 75% of final average salary. Early retirement is only available to police and firefighters under the normal plan. The plan also provides non-service connected disability benefits after 5 years of service, service connected disability benefits with no minimum service requirement, survivors' benefits, and certain lump sum death benefits. Employees are vested in their retirement benefits upon the completion of 10 years of service. Members employed by municipalities who elect one of the optional COLA provisions receive an increase equal to 3% of the original retirement benefit each year beginning January 1 following the member's retirement.

Funding Policy

General employees are required by State Statute to contribute 6% of their annual earnings. The contribution rate is increased to 7% 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 contribution rate is increased by an additional 1 % for the 20-year service plan. 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 2009 was 6.8% of covered payroll for general employees and 19.02% for police officers.

Annual Pension Cost

For fiscal 2009, the Town's annual pension cost of \$270,659 for the MERS was equal to the Town's required and actual contributions.

Three-Year Trend Information

GENERAL MUNICIPAL EMPLOYEES

<i>Fiscal Year</i>	<i>Annual Pension Cost (APC)</i>	<i>Percentage of APC Contributed</i>	<i>Net Pension Obligation</i>
2007	\$68,795	100%	\$ -
2008	\$88,663	100%	\$ -
2009	\$102,916	100%	\$ -

TOWN OF HOPKINTON, RHODE ISLAND

Notes to Financial Statements

June 30, 2009

POLICE OFFICERS

<i>Fiscal Year</i>	<i>Annual Pension Cost (APC)</i>	<i>Percentage of APC Contributed</i>	<i>Net Pension Obligation</i>
2007	\$142,152	100%	\$ -
2008	\$191,275	100%	\$ -
2009	\$167,743	100%	\$ -

The required contribution was determined as part of the June 30, 2006 actuarial valuation. The actuarial method used is the entry age normal 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, 2006 valuation include the following:

- 1) Investment return – 8.25%, compounded annually, composed of an assumed 3.0% inflation rate and a 5.25% net real rate of return
- 2) Projected salary increases – a service related component, plus a 4.5% wage inflation assumption for general employees or a 4.75% wage inflation assumption for police/fire.
- 3) Cost of living adjustment – 3%, not compounded

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 30 years as a level percentage of payroll on a closed basis. The remaining amortization period at June 30, 2006 was 23 years. The June 30, 2006 actuarial valuation reflected changes in the salary increase assumption and other actuarial assumptions as the result of an experience study.

Funded Status and Funding Progress

Information on the funded status and funding progress of each plan as of June 30, 2007, the most recent actuarial valuation date, is as follows:

- **General Employees** – The plan was 119.0% funded. The actuarial accrued liability for benefits was \$2,799,696, and the actuarial value of assets was \$3,331,291, resulting in an unfunded actuarial accrued liability [UAAL] (funding excess) of \$(531,595). The covered payroll (annual payroll of active employees covered by the plan) was \$1,259,335, and the ratio of the UAAL (funding excess) to covered payroll was (42.2%).

TOWN OF HOPKINTON, RHODE ISLAND

Notes to Financial Statements

June 30, 2009

- **Police Officers** – The plan was 85.4% funded. The actuarial accrued liability for benefits was \$3,921,947, and the actuarial value of assets was \$3,350,280, resulting in an unfunded actuarial accrued liability (UAAL) of \$571,667. The covered payroll (annual payroll of active employees covered by the plan) was \$858,728, and the ratio of the UAAL to covered payroll was 66.6%.

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
*Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual (Budgetary Basis) - General Fund
 For the Fiscal Year Ended June 30, 2009*

	<i>Original/ Final Budget</i>	<i>Actual (Budgetary Basis)</i>	<i>Variance Positive (Negative)</i>
Revenues			
Property taxes	\$ 15,619,614	\$ 15,798,540	\$ 178,926
Federal and state grants and aid	7,000,791	6,233,862	(766,929)
Charges for services	713,870	727,294	13,424
Interest on investments	55,974	40,281	(15,693)
Other revenue	110,000	786,629	676,629
Total revenues	23,500,249	23,586,606	86,357
Expenditures			
Current:			
General government	1,713,888	1,580,439	133,449
Public safety	2,250,852	2,284,971	(34,119)
Public works	1,169,308	1,131,498	37,810
Recreation	180,815	173,508	7,307
Public and social services	166,633	166,094	539
Education	17,720,106	17,720,106	-
Debt service	241,333	200,280	41,053
Total expenditures	23,442,935	23,256,896	186,039
Excess of revenues over expenditures before other financing uses	57,314	329,710	272,396
Other financing uses			
Transfers to other funds	(57,314)	(57,314)	-
Total other financing uses	(57,314)	(57,314)	-
Excess of revenues over expenditures and other financing uses, budgetary basis	\$ -	272,396	\$ 272,396
Prior year budgeted surplus		(109,000)	
Net change in fund balance		163,396	
Fund balance, beginning of year		3,058,583	
Adjustments to prior years		(11,637)	
Restated fund balance, beginning of year		3,046,946	
Fund balance, end of year		\$ 3,210,342	

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"

	<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL) -Entry Age</i>	<i>Unfunded Liability/ (Funding) (Excess)</i>	<i>Funded Ratio</i>	<i>Covered Payroll</i>	<i>Unfunded Liability/ (Funding Excess) as a Percentage of Covered Payroll</i>
<i>Police Officers Pension Plan:</i>							
	6/30/05	\$2,543,342	\$3,207,343	\$664,001	79.3%	\$657,671	101.0%
	6/30/06	\$2,826,512	\$3,414,352	\$587,840	82.8%	\$755,890	77.8%
	6/30/07	\$3,350,280	\$3,921,947	\$571,667	85.4%	\$858,728	66.6%
<i>General Municipal Employees Pension Plan:</i>							
	6/30/05	\$2,646,270	\$2,518,852	(\$127,418)	105.1%	\$1,313,123	(9.7%)
	6/30/06	\$2,899,652	\$2,794,503	(\$105,149)	103.8%	\$1,359,465	(7.7%)
	6/30/07	\$3,331,291	\$2,799,696	(\$531,595)	119.0%	\$1,259,335	(42.2%)

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Required Supplementary Information

NOTE 1 - SCHEDULE OF FUNDING PROGRESS

The information presented in the required supplementary schedules was determined as part of the annual actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

	<u><i>General Municipal Employees Pension Plan</i></u>	<u><i>Police Officers Pension Plan</i></u>												
Valuation date	6/30/2007	6/30/2007												
Actuarial cost method	Entry Age Normal Cost	Entry Age Normal Cost												
Amortization method	Level percent of payroll - closed	Level percent of payroll - closed												
Amortization period	30 year period from June 30, 1999 or 22 years remaining as of valuation date	30 year period from June 30, 1999 or 22 years remaining as of valuation date												
Asset valuation method	Market value of assets with a 5-year phase-in of actual investment return in excess of (less than) expected investment income	Market value of assets with a 5-year phase-in of actual investment return in excess of (less than) expected investment income												
Actuarial assumptions:														
Investment rate of return	8.25%, compounded annually, composed of an assumed 3.0% inflation rate and a 5.25% net real rate of return	8.25%, compounded annually, composed of an assumed 3.0% inflation rate and a 5.25% net real rate of return												
Projected salary increases	The sum of a 4.5% wage inflation assumption (composed of a 3% price inflation assumption and a 1.5% additional general increase) and a service related component	The sum of a 4.75% wage inflation assumption (composed of a 3% price inflation assumption and 1.75% additional general increase) and a service related component												
Cost-of-living adjustments	3%, not compounded	3%, not compounded												
Participant information	<table border="0" style="margin-left: 20px;"> <tr> <td>Active employees</td> <td style="text-align: right;">32</td> </tr> <tr> <td>Retirees and beneficiaries</td> <td style="text-align: right;">11</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>43</u></td> </tr> </table>	Active employees	32	Retirees and beneficiaries	11		<u>43</u>	<table border="0" style="margin-left: 20px;"> <tr> <td>Active employees</td> <td style="text-align: right;">16</td> </tr> <tr> <td>Retirees and beneficiaries</td> <td style="text-align: right;">3</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>19</u></td> </tr> </table>	Active employees	16	Retirees and beneficiaries	3		<u>19</u>
Active employees	32													
Retirees and beneficiaries	11													
	<u>43</u>													
Active employees	16													
Retirees and beneficiaries	3													
	<u>19</u>													

(Continued)

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Required Supplementary Information
 June 30, 2009

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 Board’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 shows 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 2009. 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 presentations in the required supplementary information for the General Fund are reflected on the budgetary basis. The difference between the budgetary basis and the generally accepted accounting principles basis is explained below.

Explanation of Differences Between Budgetary Revenues and Other Financing Sources and Expenditures and Other Financing Uses and GAAP Revenues and Other Financing Sources and Expenditures and Other Financing Uses

	<u>General Fund</u>
<u>Revenues and Other Financing Sources</u>	
Actual amounts (budgetary basis)	\$23,586,606
Differences – budget to GAAP:	
Capital lease proceeds is a financing source for financial reporting purposes, but is not reported as a budgetary financing source.	300,629

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2009

**General
Fund**

Revenues and Other Financing Sources

The budgeted use of fund balance is not a revenue for financial reporting purposes, but is reported as a budgetary revenue.

(109,000)

Total revenues and other financing sources as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds

\$23,778,235

Expenditures and Other Financing Uses

Actual amounts (budgetary basis)

\$23,314,210

Differences – budget to GAAP:

Capital assets acquired using capital lease proceeds are reported as expenditures for financial reporting purposes, but are not budgetary basis expenditures.

300,629

Total expenditures and other financing uses as reported in the statement of revenues, expenditures and changes in fund balances – governmental funds

\$23,614,839

TOWN OF HOPKINTON, RHODE ISLAND
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009

	<i>Special Revenue Funds</i>	<i>Capital Project Funds</i>	<i>Permanent Funds</i>	<i>Total Nonmajor Governmental Funds</i>
ASSETS				
Cash	\$ 549,458	\$ 292,098	\$ 15,040	\$ 856,596
Due from federal and state government	110,050	-	-	110,050
Other receivables	41,687	-	-	41,687
Due from other funds	79,171	126,482	-	205,653
Total assets	\$ 780,366	\$ 418,580	\$ 15,040	\$ 1,213,986
LIABILITIES AND FUND BALANCES				
Liabilities				
Account payable	\$ 71,707	\$ -	\$ -	\$ 71,707
Due to other funds	80,502	3,928	-	84,430
Deferred revenue	38,354	-	-	38,354
Total liabilities	190,563	3,928	-	194,491
Fund balances				
Reserved for perpetual care	-	-	2,400	2,400
Reserved for Tercentennial	-	-	4,878	4,878
Unreserved	589,803	414,652	7,762	1,012,217
Total fund balances	589,803	414,652	15,040	1,019,495
 Total liabilities and fund balances	 \$ 780,366	 \$ 418,580	 \$ 15,040	 \$ 1,213,986

TOWN OF HOPKINTON, RHODE ISLAND
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2009

	<i>Special Revenue Funds</i>	<i>Capital Project Funds</i>	<i>Permanent Funds</i>	<i>Total Nonmajor Governmental Funds</i>
Revenues				
Federal and state grants and aid	\$ 297,472	\$ -	\$ -	\$ 297,472
Charges for services	36,630	-	-	36,630
Private grants and contributions	1,995	-	-	1,995
Interest on investments	7,427	6,298	94	13,819
Total revenues	<u>343,524</u>	<u>6,298</u>	<u>94</u>	<u>349,916</u>
Expenditures				
Current:				
General government	25,131	-	200	25,331
Public safety	74,920	-	-	74,920
Public works	-	180,794	-	180,794
Recreation	99,046	-	-	99,046
Public and social services	132,183	-	-	132,183
Total expenditures	<u>331,280</u>	<u>180,794</u>	<u>200</u>	<u>512,274</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>12,244</u>	<u>(174,496)</u>	<u>(106)</u>	<u>(162,358)</u>
Other financing sources (uses)				
Transfers in from other funds	30,831	36,483	-	67,314
Transfers out to other funds	(10,000)	-	-	(10,000)
Total other financing sources (uses)	<u>20,831</u>	<u>36,483</u>	<u>-</u>	<u>57,314</u>
Net change in fund balances	<u>33,075</u>	<u>(138,013)</u>	<u>(106)</u>	<u>(105,044)</u>
Fund balances, beginning of year	555,469	552,665	15,146	1,123,280
Adjustments to prior years	1,259	-	-	1,259
Restated fund balances, beginning of year	<u>556,728</u>	<u>552,665</u>	<u>15,146</u>	<u>1,124,539</u>
Fund balances, end of year	<u>\$ 589,803</u>	<u>\$ 414,652</u>	<u>\$ 15,040</u>	<u>\$ 1,019,495</u>

TOWN OF HOPKINTON, RHODE ISLAND
Tax Collector's Annual Report
For the Fiscal Year Ended June 30, 2009

Real Estate and Personal Property Taxes

<i>Year</i>	<i>Balance June 30, 2008</i>	<i>Current year Assessment</i>	<i>Refunds</i>	<i>Abatements/ Adjustments</i>	<i>Amount to be Collected</i>	<i>Current Year Collections</i>	<i>Balance June 30, 2009</i>
2009	\$ -	\$ -	\$ -	\$ (100)	\$ (100)	\$ 5,873	\$ (5,973)
2008	(13,857)	15,651,281	19,550	(61,693)	15,595,281	14,797,541	797,740
2007	980,879	-	4,946	4,153	989,978	937,430	52,548
2006	186,667	-	-	(23)	186,644	158,335	28,309
2005	30,081	-	-	-	30,081	3,058	27,023
2004	21,745	-	-	-	21,745	830	20,915
2003	15,315	-	-	-	15,315	-	15,315
2002	24,491	-	-	-	24,491	6	24,485
2001	17,080	-	-	-	17,080	1	17,079
2000	18,111	-	-	(13,668)	4,443	-	4,443
1999	15,916	-	-	(14,110)	1,806	-	1,806
1998	14,277	-	-	(14,277)	-	-	-
1997 and prior	33,562	-	-	(31,638)	1,924	133	1,791
	<u>\$ 1,344,267</u>	<u>\$ 15,651,281</u>	<u>\$ 24,496</u>	<u>\$ (131,356)</u>	<u>\$ 16,888,688</u>	<u>\$ 15,903,207</u>	985,481
					Allowance for Uncollectible Accounts		<u>(113,000)</u>
					Net Property Tax Receivable		<u>\$ 872,481</u>

Schedule of Most Recent Net Assessed Property Value by Category

<u>Description of Property</u>	<u>Valuation</u>	<u>Levy</u>
Real property	\$ 1,024,233,400	\$ 14,851,384
Motor vehicles	70,849,672	1,500,596
Tangible personal property	20,206,920	292,976
Total	<u>1,115,289,992</u>	<u>16,644,956</u>
Exemptions and tax freeze	(52,235,772)	(993,675)
Net assessed value	<u>\$ 1,063,054,220</u>	<u>\$ 15,651,281</u>

Reconciliation of current year property tax revenue

Current year collections	\$ 15,903,207
Property taxes collected in advance	(5,873)
Refunds	(24,496)
Revenue collected within 60 days subsequent to year ended June 30, 2009	<u>267,976</u>
	16,140,814
Property taxes collected in advance prior year	13,857
Prior year revenue received in current year	<u>(356,131)</u>
Current year real estate and personal property tax revenue	<u>\$ 15,798,540</u>

***REPORT ON THE 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 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, 2009, which collectively comprise the Town of Hopkinton, Rhode Island's basic financial statements, as listed in the table of contents and have issued our report thereon dated November 23, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Hopkinton, Rhode Island's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Town of Hopkinton, Rhode Island's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Hopkinton, Rhode Island's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in Appendix I to be significant deficiencies in internal control over financial reporting. The significant deficiencies are described in the accompanying schedule of findings as 09-01 and 09-02.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above we consider item 09-01 to be a material weakness.

The Town of Hopkinton, Rhode Island's response to the findings identified in our audit are described in the accompanying Appendix I. We did not audit the Town of Hopkinton, Rhode Island's response and, accordingly, we express no opinion on it.

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*.

We noted certain matters that we reported to the management of the Town of Hopkinton, Rhode Island in a separate letter dated November 23, 2009.

This report is intended solely for the information and use of management, the Town Council, the State of Rhode Island Auditor General and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bacon & Company, d.d.C

Warwick, Rhode Island
November 23, 2009

TOWN OF HOPKINTON, RHODE ISLAND

APPENDIX I

YEAR ENDED JUNE 30, 2009

SIGNIFICANT DEFICIENCIES

SEGREGATION OF DUTIES

09-01 Significant Deficiency - 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 bank statements, 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 and accepting and preparing departmental deposits.

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.

Management Response - The Finance office acknowledges the need for additional staffing and has requested the additional funding in the 2009-2010 budget.

09-02 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 individual, in addition to the Tax Collector.

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.