

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

***For the Fiscal Year Ended
June 30, 2010***

TOWN OF HOPKINTON, RHODE ISLAND
AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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	45-46
 OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet – Nonmajor Governmental Funds	47
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	48
Tax Collector's Annual Report.....	49

TOWN OF HOPKINTON, RHODE ISLAND
AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

SINGLE AUDIT SECTION

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.....	50-51
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	52-53
Schedule of Findings and Questioned Costs	54-56
Schedule of Expenditures of Federal Awards.....	57
Notes to Schedule of Expenditures of Federal Awards	58

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, 2010, 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, 2010, 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 December 6, 2010 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 46 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis and as required by the U.S. Office of Management and Budget Circular A-133, "*Audits of States, Local Governments, and Non-profit Organizations*," and is also not a required part of the basic financial statements of the Town of Hopkinton, Rhode Island. The other supplementary information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bacon & Company, LLC

Warwick, Rhode Island
December 6, 2010

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, 2010. 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 \$3,388,844 or 14.61% of total 2010 budgeted revenues. This is an increase of \$178,502 from the prior year total fund balance.
- The total unreserved fund balance of the General Fund is \$3,340,056 or 14.40% of total 2010 budgeted revenues. This is an increase of \$144,343 from the prior year unreserved fund balance.
- The total reserved fund balance of the General Fund is \$48,788. This is an increase of \$34,159 from the prior year reserved fund balance.
- The Town General Fund ended fiscal year 2010 with a budgetary operating surplus of \$178,502.
- 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 \$104,119.
- 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 \$9,222,755. 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 \$572,570 for the fiscal year ended June 30, 2010.

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

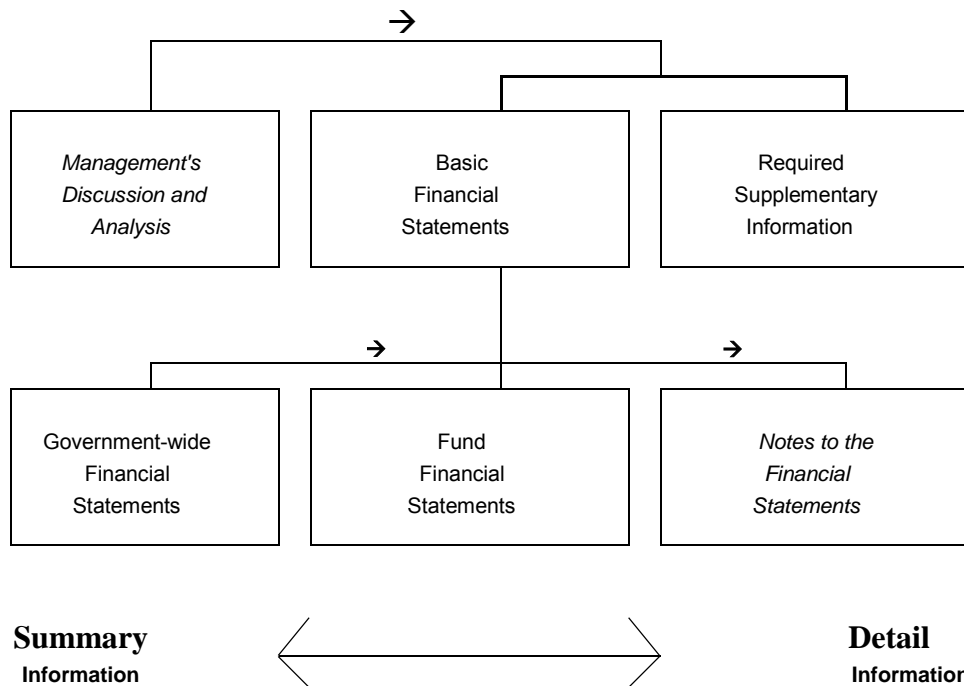


Figure A- 2

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, 2010.

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 \$9,222,755 as of June 30, 2010.

In regard to the Town's net assets (46.4%) 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	
	2009	2010	2009	2010	2009	2010
Current and other assets	\$ 5,210,541	\$ 5,655,111	\$ 32,952	\$ 69,113	\$ 5,243,493	\$ 5,724,224
Capital Assets	<u>4,654,303</u>	<u>4,550,555</u>	<u>586,772</u>	<u>556,340</u>	<u>5,241,075</u>	<u>5,106,895</u>
Total Assets	9,864,844	10,205,666	619,724	625,453	10,484,568	10,831,119
Current Liabilities	625,012	587,989	6,673	6,268	631,685	594,257
Long term liabilities	<u>1,202,698</u>	<u>1,014,107</u>	<u>-0-</u>	<u>-0-</u>	<u>1,202,698</u>	<u>1,014,107</u>
Total Liabilities	1,827,710	1,602,096	6,673	6,268	1,834,383	1,608,364
Net Assets:						
Invested in capital assets	3,691,645	3,725,148	560,630	556,340	4,252,275	4,281,488
Net of related debt						
Restricted	504,853	762,367			504,853	762,367
Unrestricted	<u>3,840,636</u>	<u>4,116,055</u>	<u>52,421</u>	<u>62,845</u>	<u>3,893,057</u>	<u>4,178,900</u>
Total net assets	<u>\$ 8,037,134</u>	<u>\$ 8,603,570</u>	<u>\$ 613,051</u>	<u>\$ 619,185</u>	<u>\$ 8,650,185</u>	<u>\$ 9,222,755</u>

Of the Town's net assets, \$762,367 (8.27%) represents resources that are subject to external restriction on how they may be used. Of this amounts, \$530,265 is set aside for various capital projects.

Change in Net Assets

The total net assets of the Town of Hopkinton increased by \$572,570 during fiscal year 2009-2010.

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, 2010.

Governmental activities increased the Town's net assets by \$566,436 accounting for the Town's total growth in net assets, while business type activities increased the Town's net assets by \$6,134.

TOWN OF HOPKINTON'S CHANGES IN NET ASSETS

	Government Activities		Business-Type		Total	
	2009	2010	2009	2010	2009	2010
Revenues						
Program						
Charges for services	\$ 580,927	\$ 810,371	\$ 33,889	\$ 38,898	\$ 614,816	\$ 849,269
Operating/Capital grants and contribution	6,161,856	6,412,575			6,161,856	6,412,575
General revenues						
Property taxes	15,789,643	15,808,800			15,789,643	15,808,800
State Aid	1,052,338	860,712			1,052,338	860,712
Investment earnings	54,100	10,621	154	84	54,254	10,705
Miscellaneous	33,596	10,945			33,596	10,945
Total Revenues	23,672,460	23,914,024	34,043	38,982	23,706,503	23,953,006
Program Expenses						
General government	1,600,504	1,683,744			1,600,504	1,683,744
Recreation	204,295	245,329			204,295	245,329
Public safety	2,348,864	2,275,115			2,348,864	2,275,115
Public works	1,188,734	1,185,206			1,188,734	1,185,206
Social services	248,351	293,676			248,351	293,676
Education	17,720,106	17,590,131			17,720,106	17,590,131
Interest on long-term debt	101,317	74,387			101,317	74,387
Water Fund			24,619	23,720	24,619	23,720
Thayer House			9,489	9,128	9,489	9,128
Total Expenses	23,412,171	23,347,588	34,108	32,848	23,446,279	23,380,436
Change in net assets	260,289	566,436	(65)	6,134	260,224	572,570
Net assets beginning of year	7,776,845	8,037,134	613,116	613,051	8,389,961	8,650,185
Net assets end of year	\$ 8,037,134	\$ 8,603,570	\$ 613,051	\$ 619,185	\$ 8,650,185	\$ 9,222,755

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, 2010, the Town's governmental funds reported combined ending fund balances of \$4,664,131. The General Fund reported an unreserved fund balance of \$3,340,056 representing approximately 71.61% of total fund balance.

Reserved/designated General fund balance:

Prepaid Expenditures	\$ 48,788
Designated for FY 2010-11	\$ 100,000
Total Reserved/designated Fund Balance	<u>\$ 148,788</u>

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 \$55,421 and the Thayer House \$7,424.

The Town of Hopkinton's General Fund Budgetary Items

The Town General Fund shows an operating surplus of \$178,502. The budget was in excess of \$23.2 million this amount is less than 1% of the budget projections by Town officials. The largest surplus was in the charges for services which was \$278,971 more than anticipated.

The Town of Hopkinton's Capital Assets

The Town of Hopkinton's investment in capital assets for its governmental and business-type activities amounts to \$5,106,895 net of accumulated depreciation at June 30, 2010. 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	
	2009	2010	2009	2010	2009	2010
Land & Construct. in Progress	\$ 499,964	\$ 344,452	\$ 15,385	\$ 15,385	\$ 515,349	\$ 359,837
Buildings and improvements	2,131,524	2,064,889	200,987	192,470	2,332,511	2,257,359
Motor vehicles	513,691	415,490			513,691	415,490
Furniture and equipment	114,737	100,768			114,737	100,768
Infrastructure	1,394,387	1,624,956	358,887	348,485	1,753,274	1,973,441
Total	\$ 4,654,303	\$ 4,550,555	\$ 575,259	\$556,340	\$ 5,229,562	\$ 5,106,895

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 \$1,017,998.

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

	Gov Activities	Component Unit	Total
Gen Obligation Bonds	\$1,017,998		\$1,017,998
Capital Leases Payable	146,278		146,278
Bond Anticipation Note		1,000,000	1,000,000
Totals	\$1,164,276	\$1,000,000	\$2,164,276

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 \$31,683,787 at year-end. The Town's outstanding general obligation debt subject to the limit is \$2,017,998 at year-end, which is \$29,665,789 under the State imposed limitation.

Subsequent Fiscal Year 2010-2011 Budget and Tax Rates

The Town of Hopkinton's total general fund budget for fiscal year 10/11 is \$23,652,391, which reflects an increase of \$451,494 from the fiscal 09/10 budget. In the Town's 10/11 budget, \$18,099,437 or 76.5% is allocated for educational purposes and \$5,552,954 or 23.5% is budgeted for other purposes.

Of the \$18,099,437 budgeted for educational purposes, the State of Rhode Island has budgeted for fiscal year 10/11 to contribute \$5,309,656 to the Town's education expense and the Town is budgeted to contribute \$12,789,781.

The Town's tax rate for fiscal year 10/11 is \$15.69 per thousand for real estate and tangible personal property and \$21.18 per hundred for motor vehicles. The tax rate for fiscal year 09/10 was \$14.79 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, 2010

	<i>Primary Government</i>			<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>	<i>Land Trust</i>
Assets				
Current assets:				
Cash and cash equivalents	\$ 3,926,194	\$ 32,313	\$ 3,958,507	\$ 210,044
Receivables:				
Property taxes, net of allowance for uncollectible accounts	890,011	-	890,011	-
Accounts receivable, user fees -net	-	25,287	25,287	-
Due from federal and state government	342,409	-	342,409	-
Other	447,709	-	447,709	-
Current portion of prepaid expenses	48,788	7,000	55,788	-
Total current assets	5,655,111	64,600	5,719,711	210,044
Noncurrent assets:				
Land and land rights	334,085	15,385	349,470	2,503,185
Construction in progress	10,367	-	10,367	-
Depreciable buildings, equipment and infrastructure, net	4,206,103	540,955	4,747,058	22,275
Prepaid expenses, net of current portion	-	4,513	4,513	-
Total noncurrent assets	4,550,555	560,853	5,111,408	2,525,460
Total assets	10,205,666	625,453	10,831,119	2,735,504
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	269,979	5,261	275,240	-
Accrued interest payable	11,791	-	11,791	-
Unearned revenue	5,243	1,007	6,250	-
Bond anticipation note payable	-	-	-	1,000,000
Compensated absences payable	112,569	-	112,569	-
Long-term debt -due within one year	188,407	-	188,407	-
Total current liabilities	587,989	6,268	594,257	1,000,000
Noncurrent liabilities				
Compensated absences payable	38,238	-	38,238	-
Long-term debt -due in more than one year	975,869	-	975,869	-
Total noncurrent liabilities	1,014,107	-	1,014,107	-
Total liabilities	1,602,096	6,268	1,608,364	1,000,000
Net Assets:				
Invested in capital assets, net of related debt	3,725,148	556,340	4,281,488	1,525,460
Restricted for:				
Capital projects	530,265	-	530,265	-
Permanent fund:				
Expendable	7,566	-	7,566	-
Nonexpendable	7,298	-	7,298	-
Other purposes	217,238	-	217,238	-
Unrestricted	4,116,055	62,845	4,178,900	210,044
Total net assets	\$ 8,603,570	\$ 619,185	\$ 9,222,755	\$ 1,735,504

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, 2010

<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	\$ 1,683,744	\$ 438,238	\$ 221,299	\$ -	\$ (1,024,207)	\$ -	\$ (1,024,207)	\$ -
Public safety	2,275,115	223,932	35,174	-	(2,016,009)	-	(2,016,009)	-
Public works	1,185,206	67,093	-	20,000	(1,098,113)	-	(1,098,113)	-
Recreation	245,329	75,358	380	107,013	(62,578)	-	(62,578)	-
Public and social services	293,676	5,750	257,056	-	(30,870)	-	(30,870)	-
Education	17,590,131	-	5,771,653	-	(11,818,478)	-	(11,818,478)	-
Debt service, interest	74,387	-	-	-	(74,387)	-	(74,387)	-
Total governmental activities	23,347,588	810,371	6,285,562	127,013	(16,124,642)	-	(16,124,642)	-
Business-Type Activities:								
Water supply	23,720	26,818	-	-	-	3,098	3,098	-
Thayer house	9,128	12,080	-	-	-	2,952	2,952	-
Total business-type activities	32,848	38,898	-	-	-	6,050	6,050	-
Total primary government	\$ 23,380,436	\$ 849,269	\$ 6,285,562	\$ 127,013	(16,124,642)	6,050	(16,118,592)	-
Component Unit:								
Land trust	\$ 47,984	\$ 504	\$ 31,326	\$ 86,100	-	-	-	69,946
General Revenues:								
Property taxes					15,808,800	-	15,808,800	-
State aid and grants not restricted for a specific purpose					860,712	-	860,712	-
Investment earnings					10,621	84	10,705	3,280
Miscellaneous					10,945	-	10,945	-
Total general revenues					16,691,078	84	16,691,162	3,280
Change in net assets					566,436	6,134	572,570	73,226
Net assets - beginning of year, restated					8,037,134	613,051	8,650,185	1,662,278
Net assets - end of year					\$ 8,603,570	\$ 619,185	\$ 9,222,755	\$ 1,735,504

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

TOWN OF HOPKINTON, RHODE ISLAND
Balance Sheet
Governmental Funds
June 30, 2010

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash	\$ 3,061,589	\$ 864,605	\$ 3,926,194
Receivables:			
Property taxes, net of allowance for doubtful accounts of \$136,568	890,011	-	890,011
Due from federal and state government	222,863	119,546	342,409
Other	367,654	80,055	447,709
Due from other funds	102,779	496,154	598,933
Prepaid expenditures	48,788	-	48,788
Total assets	<u>\$ 4,693,684</u>	<u>\$ 1,560,360</u>	<u>\$ 6,254,044</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable and accrued expenditures	\$ 252,544	\$ 17,435	\$ 269,979
Due to other funds	411,350	187,583	598,933
Deferred revenue	640,946	80,055	721,001
Total liabilities	<u>1,304,840</u>	<u>285,073</u>	<u>1,589,913</u>
Fund balances			
Reserved for:			
Prepaid expenditures	48,788	-	48,788
Perpetual care	-	2,400	2,400
Tercentennial	-	4,898	4,898
Unreserved:			
Designated for subsequent year	100,000	-	100,000
Undesignated reported in:			
General fund	3,240,056	-	3,240,056
Special revenue funds	-	648,676	648,676
Capital projects funds	-	611,747	611,747
Permanent fund	-	7,566	7,566
Total fund balances	<u>3,388,844</u>	<u>1,275,287</u>	<u>4,664,131</u>
Total liabilities and fund balances	<u>\$ 4,693,684</u>	<u>\$ 1,560,360</u>	<u>\$ 6,254,044</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, 2010

Total Fund Balances - Total Governmental Funds	\$ 4,664,131
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.	4,550,555
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.	635,703
Other accounts receivable and revenues are not available to pay for current period expenditures and, therefore, are deferred in the Governmental Funds Financial Statements.	80,055
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.	(11,791)
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>(1,315,083)</u>
Net Assets - Governmental Activities	<u><u>\$ 8,603,570</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, 2010

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Property taxes	\$ 15,674,241	\$ -	\$ 15,674,241
Federal and state grants and aid	6,886,037	375,645	7,261,682
Charges for services	884,058	36,622	920,680
Private grants and contributions	-	5,085	5,085
Interest on investments	7,271	3,350	10,621
Other revenues	10,945	-	10,945
Total revenues	<u>23,462,552</u>	<u>420,702</u>	<u>23,883,254</u>
Expenditures:			
Current:			
General government	1,648,943	12,779	1,661,722
Public safety	2,201,223	44,538	2,245,761
Public works	1,121,971	-	1,121,971
Recreation	208,995	100,493	309,488
Public and social services	119,102	218,337	337,439
Education	17,590,131	-	17,590,131
Debt service:			
Principal	104,119	-	104,119
Interest	78,329	-	78,329
Total expenditures	<u>23,072,813</u>	<u>376,147</u>	<u>23,448,960</u>
Excess of revenues over expenditures before other financing sources (uses)	<u>389,739</u>	<u>44,555</u>	<u>434,294</u>
Other financing sources (uses):			
Transfers from other funds	-	211,237	211,237
Transfers to other funds	(211,237)	-	(211,237)
Total other financing sources (uses)	<u>(211,237)</u>	<u>211,237</u>	<u>-</u>
Net change in fund balances	178,502	255,792	434,294
Fund balances - beginning of year	<u>3,210,342</u>	<u>1,019,495</u>	<u>4,229,837</u>
Fund balances - end of year	<u>\$ 3,388,844</u>	<u>\$ 1,275,287</u>	<u>\$ 4,664,131</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, 2010

Net Changes in Fund Balances - Total Governmental Funds	\$ 434,294
 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.	185,585
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.	(295,852)
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.	(21,477)
New loans made during the year are reported as expenditures in the Governmental Fund Financial Statements, but increase other receivables in the Government-Wide Statement of Net Assets.	24,150
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.	205,024
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.	3,942
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.	6,520
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>24,250</u>
 Change in Net Assets - Governmental Activities	 <u><u>\$ 566,436</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, 2010

	<u>Business-Type Activities</u>		<u>Total</u>
	<u>Enterprise Funds</u>		
	<u>Water Supply</u>	<u>Thayer House</u>	
Assets			
Current assets			
Cash and cash equivalents	\$ 23,882	\$ 8,431	\$ 32,313
Accounts receivable, user fees - net	25,287	-	25,287
Current portion of prepaid expenses	7,000	-	7,000
Total current assets	<u>56,169</u>	<u>8,431</u>	<u>64,600</u>
Noncurrent assets			
Nondepreciable capital assets	-	15,385	15,385
Depreciable capital assets - net	348,485	192,470	540,955
Prepaid expenses, net of current portion	4,513	-	4,513
Total noncurrent assets	<u>352,998</u>	<u>207,855</u>	<u>560,853</u>
Total assets	<u>409,167</u>	<u>216,286</u>	<u>625,453</u>
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	5,261	-	5,261
Unearned revenue	-	1,007	1,007
Total current liabilities	<u>5,261</u>	<u>1,007</u>	<u>6,268</u>
Total liabilities	<u>5,261</u>	<u>1,007</u>	<u>6,268</u>
Net assets			
Invested in capital assets, net of related debt	348,485	207,855	556,340
Unrestricted	55,421	7,424	62,845
Total net assets	<u>\$ 403,906</u>	<u>\$ 215,279</u>	<u>\$ 619,185</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, 2010

	<u>Business-Type Activities</u>		
	<u>Enterprise Funds</u>		
	<u>Water Supply</u>	<u>Thayer House</u>	<u>Total</u>
Operating revenues			
User fees	\$ 26,818	\$ -	\$ 26,818
Rent	-	12,080	12,080
Total operating revenues	<u>26,818</u>	<u>12,080</u>	<u>38,898</u>
Operating expenses			
Water purchases	12,261	-	12,261
Repairs and maintenance	1,057	159	1,216
Depreciation	10,402	8,517	18,919
Total operating expenses	<u>23,720</u>	<u>8,676</u>	<u>32,396</u>
Operating income	<u>3,098</u>	<u>3,404</u>	<u>6,502</u>
Nonoperating revenues (expenses)			
Interest income	55	29	84
Interest expense	-	(452)	(452)
Total nonoperating revenues (expenses)	<u>55</u>	<u>(423)</u>	<u>(368)</u>
Change in net assets	3,153	2,981	6,134
Total net assets - beginning of year	<u>400,753</u>	<u>212,298</u>	<u>613,051</u>
Total net assets - end of year	<u>\$ 403,906</u>	<u>\$ 215,279</u>	<u>\$ 619,185</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, 2010

	<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	\$ 20,606	\$ -	\$ 20,606
Cash received from tenant	-	13,087	13,087
Cash paid to suppliers	(7,730)	(159)	(7,889)
<i>Net cash provided by operating activities</i>	12,876	12,928	25,804
 <i>Cash flows from capital and related financing activities</i>			
Principal paid on advance from general fund	-	(14,629)	(14,629)
Interest paid on advance from general fund	-	(452)	(452)
<i>Net cash used for capital and related financing activities</i>	-	(15,081)	(15,081)
 <i>Cash flows from investing activities</i>			
Interest received	55	29	84
<i>Net cash provided by investing activities</i>	55	29	84
 <i>Net increase (decrease) in cash and cash equivalents</i>	12,931	(2,124)	10,807
<i>Cash and cash equivalents - beginning of year</i>	10,951	10,555	21,506
<i>Cash and cash equivalents - end of year</i>	\$ 23,882	\$ 8,431	\$ 32,313

(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, 2010

	<i>Business-Type Activities</i>		<i>Total</i>
	<i>Enterprise Funds</i>		
	<i>Water Supply</i>	<i>Thayer House</i>	
<i>Reconciliation of operating income to net cash provided by operating activities:</i>			
Operating income	\$ 3,098	\$ 3,404	\$ 6,502
<i>Adjustments to reconcile operating income to net cash provided by operating activities:</i>			
Depreciation	10,402	8,517	18,919
Changes in assets and liabilities:			
Increase in accounts receivable, user fees	(6,212)	-	(6,212)
Decrease in prepaid expenses	7,000	-	7,000
Decrease in accounts payable and accrued expenses	(1,412)	-	(1,412)
Increase in unearned revenue	-	1,007	1,007
<i>Net cash provided by operating activities</i>	<i>\$ 12,876</i>	<i>\$ 12,928</i>	<i>\$ 25,804</i>

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

TOWN OF HOPKINTON, RHODE ISLAND

Notes to Financial Statements

June 30, 2010

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, 2010

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, 2010

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, 2010.

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, 2010.

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, 2010.

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, 2010, 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, 2010, the Town had no fiduciary funds.

TOWN OF HOPKINTON, RHODE ISLAND

Notes to Financial Statements

June 30, 2010

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, 2010

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 4.75% 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, 2010

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, 2010

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, 2010.

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, 2010

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 \$31,683,787. As of June 30, 2010, the Town’s debt subject to the legal debt margin is \$2,017,998 and the Town is under the debt limit by \$29,665,789. 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	\$4,167,501
Add: Petty cash and cash on hand	<u>1,050</u>
<i>Total Cash and Cash Equivalents</i>	
<i>Reported in the Financial Statements</i>	<u><u>\$4,168,551</u></u>

TOWN OF HOPKINTON, RHODE ISLAND

Notes to Financial Statements

June 30, 2010

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, 2010, \$3,185,663 of the Town’s bank balance of \$4,207,779 was exposed to custodial credit risk as follows:

	<i>Bank</i>
	<u>Balance</u>
Insured (Federal depository insurance funds)	\$1,022,116
Uninsured and uncollateralized	3,185,663
<i>Total</i>	<u>\$4,207,779</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, 2010, the Town's uncollateralized deposits with institutions were \$3,185,663. 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, 2010. 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, 2010

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June, 30, 2010 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	10,367	165,879	10,367
	<u>499,964</u>	<u>10,367</u>	<u>165,879</u>	<u>344,452</u>
Depreciable assets:				
Infrastructure	21,387,986	334,731	-	21,722,717
Buildings and improvements	3,465,119	-	-	3,465,119
Furniture and equipment	767,906	12,885	-	780,791
Motor vehicles	1,119,504	-	-	1,119,504
	<u>26,740,515</u>	<u>347,616</u>	<u>-</u>	<u>27,088,131</u>
Total Capital Assets	<u>27,240,479</u>	<u>357,983</u>	<u>165,879</u>	<u>27,432,583</u>
Less accumulated depreciation for:				
Infrastructure	19,993,599	104,162	-	20,097,761
Buildings and improvements	1,333,595	66,635	-	1,400,230
Furniture and equipment	653,169	26,854	-	680,023
Motor vehicles	605,813	98,201	-	704,014
	<u>22,586,176</u>	<u>295,852</u>	<u>-</u>	<u>22,882,028</u>
Total Accumulated Depreciation	<u>22,586,176</u>	<u>295,852</u>	<u>-</u>	<u>22,882,028</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,654,303</u>	<u>\$ 62,131</u>	<u>\$ 165,879</u>	<u>\$ 4,550,555</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	117,703	8,517	-	126,220
Water lines	161,205	10,402	-	171,607
	<u>278,908</u>	<u>18,919</u>	<u>-</u>	<u>297,827</u>
Total Accumulated Depreciation	<u>278,908</u>	<u>18,919</u>	<u>-</u>	<u>297,827</u>
Business-Type Activities Capital Assets, Net	<u>\$ 575,259</u>	<u>\$ (18,919)</u>	<u>\$ -</u>	<u>\$ 556,340</u>

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital asset activity for the Land Trust				
<i>for the year ended June 30, 2010 is as follows:</i>				
Nondepreciable assets:				
Land and land rights	\$ 1,733,913	\$ 769,272	\$ -	\$ 2,503,185
	<u>1,733,913</u>	<u>769,272</u>	<u>-</u>	<u>2,503,185</u>
Depreciable assets:				
Improvements other than buildings	33,000	-	-	33,000
Less accumulated depreciation for:				
Improvements other than buildings	9,075	1,650	-	10,725
Depreciable assets, net	<u>23,925</u>	<u>(1,650)</u>	<u>-</u>	<u>22,275</u>
Land Trust Capital Assets, Net	<u>\$ 1,757,838</u>	<u>\$ 767,622</u>	<u>\$ -</u>	<u>\$ 2,525,460</u>
Depreciation expense was charged as follows:				
Governmental activities:				
General government		\$ 10,964		
Public safety		76,786		
Public works		176,236		
Recreation		31,866		
Total Depreciation Expense, Governmental Activities		<u>\$ 295,852</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, 2010 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
General obligation bonds payable	\$ 1,122,117	\$ -	\$ 104,119	\$ 1,017,998	\$ 106,005
Capital leases	247,183	-	100,905	146,278	82,402
Accrued compensated absences	129,331	26,596	5,120	150,807	112,569
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 1,498,631</u>	<u>\$ 26,596</u>	<u>\$ 210,144</u>	<u>\$ 1,315,083</u>	<u>\$ 300,976</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, 2010

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, 2009</u>	<u>New Issues</u>	<u>Maturities During Year</u>	<u>Outstanding June 30, 2010</u>
Rhode Island Clean Water Finance Agency	6/29/1994	3.04%	9/1/2014	\$ 1,346,179	\$ 406,642	\$ -	\$ 67,773	\$ 338,869
Police Station Fund: Dime Savings Bank	4/25/2003	5.00%	5/1/2023	900,000	<u>715,475</u>	<u>-</u>	<u>36,346</u>	<u>679,129</u>
Total governmental activities bonds payable					<u>\$ 1,122,117</u>	<u>\$ -</u>	<u>\$ 104,119</u>	<u>\$ 1,017,998</u>

At June 30, 2010 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>
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	114,572	26,179	140,751
2016-2020	272,948	85,965	358,913
2021-2023	194,233	15,131	209,364
	<u>\$ 1,017,998</u>	<u>\$ 278,009</u>	<u>\$ 1,296,007</u>

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
 June 30, 2010

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, 2009</u>	<u>New Issues</u>	<u>Retirements During Year</u>	<u>Outstanding June 30, 2010</u>
Police vehicles	9/5/2007	6.90%	9/5/2009	\$ 67,452	\$ 22,451	\$ -	\$ 22,451	\$ -
Dump trucks	8/21/2008	4.59%	8/21/2011	250,000	183,103	-	58,236	124,867
Police vehicles	6/15/2009	5.90%	6/15/2011	50,629	41,629	-	20,218	21,411
Total governmental activities capital leases					\$ 247,183	\$ -	\$ 100,905	\$ 146,278

Obligation of governmental activities under capital leases at June 30, 2010 were as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Lease Payment Requirements</u>
2011	\$ 89,571
2012	66,897
Total minimum lease payments	156,468
Less: Amount representing interest cost	(10,190)
Present value of minimum lease payments	<u>\$ 146,278</u>

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

NOTE 7 – SHORT – TERM DEBT

The Town issued a short-term general obligation bond anticipation note in the amount of \$1,000,000 on December 1, 2009, maturing on November 30, 2010 with an interest rate of 2.4%. The proceeds were used to pay off a general obligation bond anticipation note of \$1,000,000 due on December 1, 2009.

Short-term debt activity for the year ended June 30, 2010 was as follows:

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

NOTE 8 – INTERFUND BALANCES

The Town reports interfund balances between many of its funds. Interfund balances at June 30, 2010 were as follows:

	<u><i>Due From:</i></u>		<u><i>Total</i></u>
	<u><i>General Fund</i></u>	<u><i>Nonmajor Governmental Funds</i></u>	
Due To:			
General Fund	\$ -	\$ 102,779	\$ 102,779
Nonmajor Governmental Funds	411,350	84,804	496,154
Total	<u>\$ 411,350</u>	<u>\$ 187,583</u>	<u>\$ 598,933</u>

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

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

NOTE 9 – INTERFUND TRANSFERS

	<u>Transfer From:</u>	
	<u>General Fund</u>	<u>Total</u>
Transfer To:		
Nonmajor Governmental Funds	\$ 211,237	\$ 211,237
Total	<u>\$ 211,237</u>	<u>\$ 211,237</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 \$136,568. 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, 2010, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:				
General	\$ 147,248	\$ 97,863	\$ 7,433	\$ 252,544
Nonmajor governmental funds	17,435	-	-	17,435
Total Governmental Activities	<u>\$ 164,683</u>	<u>\$ 97,863</u>	<u>\$ 7,433</u>	<u>\$ 269,979</u>
Business-Type Activities:				
Water Supply	\$ 5,261	\$ -	\$ -	\$ 5,261
Total Business-Type Activities	<u>\$ 5,261</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,261</u>

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

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, 2010.

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, 2010

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,

2011	\$12,646
2012	12,835
2013	12,835
2014	12,835
2015	12,835
2016	3,209
	<u>\$67,195</u>

NOTE 15 – SUBSEQUENT EVENTS

- A. Effective July 1, 2010, as approved by the Town Council on April 19, 2010, the Thayer House Enterprise Fund was closed and all of its assets were transferred to the General Fund.
- B. On November 30, 2010, the Town issued \$1,000,000 in General Obligation Bond Anticipation Notes for the Land Trust. The notes bear interest of 1.4% and mature August 30, 2011.

NOTE 16 – PRIOR PERIOD ADJUSTMENTS AND RESTATEMENTS

A prior period adjustment of \$19,175 was recorded to beginning net assets in the Governmental Activities to reflect loans receivable not included in prior years in error.

NOTE 17 – 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, 2010 was \$2,288,522 (General employees - \$1,473,170, Police officers - \$815,352).

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, 2010

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.

Rhode Island General Law 45-21.2-5 (9) contains special provisions that apply to members of the Hopkinton police department. Under these special provisions, the final compensation for benefit computation is based on the members' highest year of earnings. In addition, the members shall receive a 3% escalation of their pension payment compounded each year on January 1st following the year of retirement and continuing on an annual basis on that date. Compensation for benefit purposes includes base, longevity, and holiday pay.

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 2010 was 3.95% of covered payroll for general employees and 18.43% for police officers.

Annual Pension Cost

For fiscal 2010, the Town's annual pension cost of \$208,490 for the MERS was equal to the Town's required and actual contributions.

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
 June 30, 2010

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>
2008	\$ 88,663	100%	\$ -
2009	\$102,916	100%	\$ -
2010	\$ 58,220	100%	\$ -

POLICE OFFICERS

<i>Fiscal Year</i>	<i>Annual Pension Cost (APC)</i>	<i>Percentage of APC Contributed</i>	<i>Net Pension Obligation</i>
2008	\$191,275	100%	\$ -
2009	\$167,743	100%	\$ -
2010	\$150,270	100%	\$ -

The required contribution was determined as part of the June 30, 2007 actuarial valuation. The actuarial method used is the entry age actuarial cost method. Under this method, the employer contribution rate is the sum of (i) the employer normal cost rate, and (ii) a rate that will amortize the unfunded actuarial accrued liability. Significant actuarial assumptions used in the June 30, 2007 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 for general employees and 3%, compounded for police

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, 2007 was 22 years.

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2010

Funded Status and Funding Progress

Information on the funded status and funding progress of each plan as of June 30, 2008, the most recent actuarial valuation date, is as follows:

- **General Employees** – The plan was 121.3% funded. The actuarial accrued liability for benefits was \$3,081,573, and the actuarial value of assets was \$3,737,653, resulting in an unfunded actuarial accrued liability [UAAL] (funding excess) of \$(656,080). The covered payroll (annual payroll of active employees covered by the plan) was \$1,488,593, and the ratio of the UAAL (funding excess) to covered payroll was (44.1%).
- **Police Officers** – The plan was 89.9% funded. The actuarial accrued liability for benefits was \$4,320,427, and the actuarial value of assets was \$3,882,932, resulting in an unfunded actuarial accrued liability (UAAL) of \$437,495. The covered payroll (annual payroll of active employees covered by the plan) was \$893,806, and the ratio of the UAAL to covered payroll was 48.9%.

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, 2010*

	<u>Original/ Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
Revenues			
Property taxes	\$ 15,746,048	\$ 15,674,241	\$ (71,807)
Federal and state grants and aid	6,824,241	6,886,037	61,796
Charges for services	605,087	884,058	278,971
Interest on investments	20,521	7,271	(13,250)
Other revenue	5,000	10,945	5,945
Total revenues	<u>23,200,897</u>	<u>23,462,552</u>	<u>261,655</u>
Expenditures			
Current:			
General government	1,599,636	1,648,943	(49,307)
Public safety	2,128,721	2,201,223	(72,502)
Public works	1,152,047	1,121,971	30,076
Recreation	207,262	208,995	(1,733)
Public and social services	119,125	119,102	23
Education	17,590,131	17,590,131	-
Debt service	192,738	182,448	10,290
Total expenditures	<u>22,989,660</u>	<u>23,072,813</u>	<u>(83,153)</u>
Excess of revenues over expenditures before other financing uses	<u>211,237</u>	<u>389,739</u>	<u>178,502</u>
Other financing uses			
Transfers to other funds	(211,237)	(211,237)	-
Total other financing uses	<u>(211,237)</u>	<u>(211,237)</u>	<u>-</u>
Excess of revenues over expenditures and other financing uses, budgetary basis	<u>\$ -</u>	178,502	<u>\$ 178,502</u>
Fund balance, beginning of year		<u>3,210,342</u>	
Fund balance, end of year		<u>\$ 3,388,844</u>	

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

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

	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) -Entry Age</u>	<u>Unfunded Liability/ (Funding) (Excess)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Liability/ (Funding Excess) as a Percentage of Covered Payroll</u>
<i>Police Officers Pension Plan:</i>							
	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%
	6/30/08	\$3,882,932	\$4,320,427	\$437,495	89.9%	\$893,806	48.9%
<i>General Municipal Employees Pension Plan:</i>							
	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%)
	6/30/08	\$3,737,653	\$3,081,573	(\$656,080)	121.3%	\$1,488,593	(44.1%)

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2010

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 2010. 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 is reflected on the budgetary basis. For fiscal year 2010, there were no differences between the budgetary basis and the generally accepted accounting principles basis.

TOWN OF HOPKINTON, RHODE ISLAND
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

	<i>Special Revenue Funds</i>	<i>Capital Project Funds</i>	<i>Permanent Funds</i>	<i>Total Nonmajor Governmental Funds</i>
ASSETS				
Cash	\$ 556,452	\$ 293,289	\$ 14,864	\$ 864,605
Due from federal and state government	119,546	-	-	119,546
Other receivables	80,055	-	-	80,055
Due from other funds	173,768	322,386	-	496,154
<i>Total assets</i>	\$ 929,821	\$ 615,675	\$ 14,864	\$ 1,560,360
 LIABILITIES AND FUND BALANCES				
<i>Liabilities</i>				
Account payable	\$ 17,435	\$ -	\$ -	\$ 17,435
Due to other funds	183,655	3,928	-	187,583
Deferred revenue	80,055	-	-	80,055
<i>Total liabilities</i>	281,145	3,928	-	285,073
<i>Fund balances</i>				
Reserved for perpetual care	-	-	2,400	2,400
Reserved for Tercentennial	-	-	4,898	4,898
Unreserved	648,676	611,747	7,566	1,267,989
<i>Total fund balances</i>	648,676	611,747	14,864	1,275,287
<i>Total liabilities and fund balances</i>	\$ 929,821	\$ 615,675	\$ 14,864	\$ 1,560,360

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, 2010

	<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	\$ 355,645	\$ 20,000	\$ -	\$ 375,645
Charges for services	36,622	-	-	36,622
Private grants and contributions	5,085	-	-	5,085
Interest on investments	2,129	1,191	30	3,350
Total revenues	<u>399,481</u>	<u>21,191</u>	<u>30</u>	<u>420,702</u>
Expenditures				
Current:				
General government	12,573	-	206	12,779
Public safety	44,538	-	-	44,538
Recreation	100,493	-	-	100,493
Public and social services	218,337	-	-	218,337
Total expenditures	<u>375,941</u>	<u>-</u>	<u>206</u>	<u>376,147</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	<u>23,540</u>	<u>21,191</u>	<u>(176)</u>	<u>44,555</u>
Other financing sources				
Transfers in from other funds	35,333	175,904	-	211,237
Total other financing sources	<u>35,333</u>	<u>175,904</u>	<u>-</u>	<u>211,237</u>
Net change in fund balances	58,873	197,095	(176)	255,792
Fund balances, beginning of year	<u>589,803</u>	<u>414,652</u>	<u>15,040</u>	<u>1,019,495</u>
Fund balances, end of year	<u>\$ 648,676</u>	<u>\$ 611,747</u>	<u>\$ 14,864</u>	<u>\$ 1,275,287</u>

TOWN OF HOPKINTON, RHODE ISLAND

Tax Collector's Annual Report

For the Fiscal Year Ended June 30, 2010

Real Estate and Personal Property Taxes

<u>Year</u>	<u>Balance June 30, 2009</u>	<u>Current year Assessment</u>	<u>Refunds</u>	<u>Abatements/ Adjustments</u>	<u>Amount to be Collected</u>	<u>Current Year Collections</u>	<u>Balance June 30, 2010</u>
2010	\$ -	\$ -	\$ -	\$ (4,437)	\$ (4,437)	\$ 6,351	\$ (10,788)
2009	(5,973)	15,794,049	5,558	(45,144)	15,748,490	14,947,521	800,969
2008	797,740	-	15,666	(25,961)	787,445	719,890	67,555
2007	52,548	-	1,321	(7)	53,862	21,587	32,275
2006	28,309	-	-	-	28,309	3,002	25,307
2005	27,023	-	-	-	27,023	566	26,457
2004	20,915	-	-	3	20,918	406	20,512
2003	15,315	-	-	2	15,317	535	14,782
2002	24,485	-	-	-	24,485	41	24,444
2001	17,079	-	-	-	17,079	53	17,026
2000	4,443	-	-	-	4,443	-	4,443
1999	1,806	-	-	-	1,806	-	1,806
1998	-	-	-	-	-	-	-
1997 and prior	1,791	-	-	-	1,791	-	1,791
	<u>\$ 985,481</u>	<u>\$ 15,794,049</u>	<u>\$ 22,545</u>	<u>\$ (75,544)</u>	<u>\$ 16,726,531</u>	<u>\$ 15,699,952</u>	1,026,579
					Allowance for Uncollectible Accounts		<u>(136,568)</u>
					Net Property Tax Receivable		<u>\$ 890,011</u>

Schedule of Most Recent Net Assessed Property Value by Category

<u>Description of Property</u>	<u>Valuation</u>	<u>Levy</u>
Real property	\$ 1,027,236,250	\$ 15,192,824
Motor vehicles	61,935,422	1,311,792
Tangible personal property	18,496,680	273,566
Total	<u>1,107,668,352</u>	<u>16,778,182</u>
Exemptions and tax freeze	(51,542,119)	(984,133)
Net assessed value	<u>\$ 1,056,126,233</u>	<u>\$ 15,794,049</u>

Reconciliation of current year property tax revenue

Current year collections	\$ 15,699,952
Property taxes collected in advance	(6,351)
Refunds	(22,545)
Revenue collected within 60 days subsequent to year ended June 30, 2010	<u>265,288</u>
	15,936,344
Property taxes collected in advance prior year	5,873
Prior year revenue received in current year	<u>(267,976)</u>
Current year real estate and personal property tax revenue	<u>\$ 15,674,241</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, 2010, 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 December 6, 2010. 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 opinion 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses, and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 10-1 to be a material weakness.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 10-2 to be a significant deficiency.

Compliance and Other Matters

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

We noted certain matters that we reported to the management of the Town of Hopkinton, Rhode Island in a separate letter dated December 6, 2010.

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

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, LLC

Warwick, Rhode Island
December 6, 2010

***REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133***

INDEPENDENT AUDITORS' REPORT

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

Compliance

We have audited the Town of Hopkinton, Rhode Island's compliance with types of compliance requirements described in the ***OMB Circular A-133 Compliance Supplement*** that could have a direct and material effect on each of the Town of Hopkinton, Rhode Island's major federal programs for the year ended June 30, 2010. The Town of Hopkinton, Rhode Island's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Hopkinton, Rhode Island's management. Our responsibility is to express an opinion on the Town of Hopkinton, Rhode Island's compliance based on our audit.

We conducted our audit of compliance in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Hopkinton, Rhode Island's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Hopkinton, Rhode Island's compliance with those requirements.

In our opinion, the Town of Hopkinton, Rhode Island complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the Town of Hopkinton, Rhode Island is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Hopkinton, Rhode Island's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Hopkinton, Rhode Island's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of management, the Town Council, the State of Rhode Island Auditor General, 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, LLC

Warwick, Rhode Island
December 6, 2010

TOWN OF HOPKINTON, RHODE ISLAND
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2010

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Type of auditor's report issued on compliance for major programs: unqualified

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes X no

Identification of major programs:

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>
14.228	Community Development Block Grant
97.036	Disaster Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes X no

(Continued)

TOWN OF HOPKINTON, RHODE ISLAND
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2010

SECTION II – FINANCIAL STATEMENT FINDINGS

10-1 Material Weakness - The Finance Director and the Assistant to the Finance Director have job responsibilities that result in a lack of segregation of duties and as a result a weakness in internal controls. The same individual should not have custody of assets and also be responsible for initiating and recording transactions.

The Finance Director has complete responsibility for the general ledger and all financial reporting and is also responsible for signing checks, preparing and posting certain journal entries, reconciling the 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, accepting and preparing departmental deposits, and reconciling the bank statements.

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 budget.

10-2 Significant Deficiency - The Tax Collector has job responsibilities that results in a lack of segregation of duties and as a result a weakness in internal controls. Due to staff limitations, the Tax Collector is responsible for accepting and recording tax payments, reconciling the daily receipts, preparing and making the daily deposit at the bank, posting abatements and monitoring delinquent accounts. The Tax Collector has custody of assets and is also responsible for initiating and recording transactions.

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

TOWN OF HOPKINTON, RHODE ISLAND
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2010

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

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.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

TOWN OF HOPKINTON, RHODE ISLAND
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2010

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<i>U.S. Department of Housing and Urban Development</i>			
Passed through R.I. Division of Planning, Office of Housing and Community Development:			
Community development block grant	14.228	06/14/20	\$ 10,432
Community development block grant	14.228	07/13/21	33,759
Community development block grant	14.228	08/14/22	52,599
Community development block grant	14.228	09/14/23	23,546
Community development block grant	14.228	10/14/24a	<u>98,000</u>
<i>Total U.S. Department of Housing and Urban Development</i>			<u>218,336</u>
<i>U.S. Department of Transportation</i>			
Passed through R.I. Department of Transportation:			
Depot Square Park Project	20.205	N/A	<u>73,865</u>
<i>Total U.S. Department of Transportation</i>			<u>73,865</u>
<i>U.S. Department of Homeland Security</i>			
Passed through R.I. Emergency Management Agency:			
Disaster Grants	97.036	FEMA-1894 DR RI	262,307
Civil Defense	97.000	N/A	<u>642</u>
<i>Total U.S. Department of Homeland Security</i>			<u>262,949</u>
<i>U.S. Department of Energy</i>			
Passed through R.I. Office of Energy Resources:			
ARRA Energy Efficiency Conservation Block Grant	81.128	EECBG ARRA 2010-01	<u>2,057</u>
<i>Total U.S. Department of Energy</i>			<u>2,057</u>
<i>U.S. Environmental Protection Agency</i>			
Direct Program:			
EPA Octeau	66.000	N/A	<u>3,218</u>
<i>Total U.S. Environmental Protection Agency</i>			<u>3,218</u>
<i>U.S. Department of Justice</i>			
Direct Programs:			
ARRA Byrne/JAG	16.804	2009SBB91889	11,767
Federal Forfeited Funds	16.000	N/A	16,448
Passed through R.I. Public Safety Grant Administration Office:			
ARRA Byrne/JAG	16.804	GR-7999	<u>10,195</u>
<i>Total U.S. Department of Justice</i>			<u>38,410</u>
<i>Total Expenditures of Federal Awards</i>			<u><u>\$ 598,835</u></u>

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Schedule of Expenditures of Federal Awards
June 30, 2010

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Hopkinton, Rhode Island and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.