

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

***For the Fiscal Year Ended
June 30, 2012***

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ANNUAL FINANCIAL STATEMENTS
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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, 2012, 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, 2012, and the respective changes in financial position and, where applicable, cash flows 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 our report dated November 30, 2012 on our consideration of the Town of Hopkinton, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information and supplementary pension information on pages 3 through 12 and 44 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hopkinton Rhode Island's basic financial statements. The combining nonmajor fund financial statements and tax collector's annual report are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and tax collector's annual report are fairly stated in all material respects in relation to the financial statements as a whole.

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 statistical section is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Baer & Company, LLC

Warwick, Rhode Island
November 30, 2012

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, 2012. 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 \$4,560,197 or 18.95% of total 2012 budgeted revenues. This is an increase of \$328,912 from the prior year total fund balance.
- The total unassigned fund balance of the General Fund is \$3,855,592 or 16.02% of total 2012 budgeted revenues. This is an increase of \$30,343 from the prior year unassigned fund balance.
- The total assigned, committed, restricted or nonspendable fund balance of the General Fund is \$704,605. This is an increase of \$298,569 from the prior year total assigned, committed, restricted or nonspendable fund balance.
- The Town General Fund ended fiscal year 2012 with a budgetary operating surplus of \$375,528.
- Excluding a new \$1,000,000 Bond issued for Open Space Land Acquisition. The total bonded debt amount of the Town of Hopkinton decreased by \$107,903.
- 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 \$9,426,118. 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 decreased by \$118,660 for the fiscal year ended June 30, 2012.

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

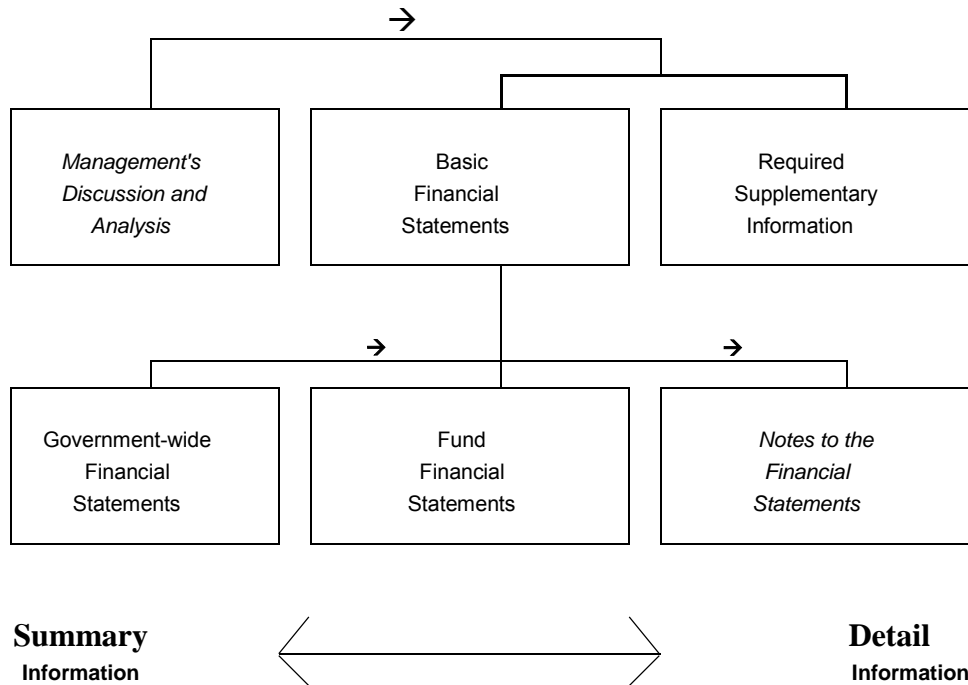


Figure A- 2

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 a Water Fund which accounts for the purchase of water from the Town of Richmond, which it sells to Town users.
- *Component units* – The Land Trust is deemed to be a component unit.

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

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

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

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

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

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

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

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

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

The Town had no fiduciary funds as of June 30, 2012.

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 43.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of the Town of Hopkinton's Net 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 \$9,426,118 as of June 30, 2012.

In regard to the Town's net assets (44.8%) 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	
	2011	2012	2011	2012	2011	2012
Current and other assets	\$ 6,064,289	\$ 6,779,501	\$ 68,808	\$ 81,338	\$ 6,133,097	\$ 6,860,839
Capital Assets	<u>4,505,139</u>	<u>4,523,223</u>	<u>338,083</u>	<u>327,681</u>	<u>4,843,222</u>	<u>4,850,904</u>
Total Assets	10,569,428	11,302,724	406,891	409,019	10,976,319	11,711,743
Current Liabilities	575,286	585,500	5,776	13,527	581,062	599,027
Long term liabilities	<u>850,479</u>	<u>1,686,598</u>	<u>-0-</u>	<u>-0-</u>	<u>850,479</u>	<u>1,686,598</u>
	1,425,765	2,272,098	5,776	13,527	1,431,541	2,285,625
Net Assets:						
Invested in capital assets	3,782,887	3,894,231	338,083	327,681	4,120,970	4,221,912
Net of related debt						
Restricted	266,308	293,911			266,308	293,911
Unrestricted	<u>5,094,468</u>	<u>4,842,484</u>	<u>63,032</u>	<u>67,811</u>	<u>5,157,500</u>	<u>4,910,295</u>
Total net assets	<u>\$ 9,143,663</u>	<u>\$ 9,030,626</u>	<u>\$ 401,115</u>	<u>\$ 395,492</u>	<u>\$ 9,544,778</u>	<u>\$ 9,426,118</u>

Of the Town's net assets, \$293,911(3.12%) represents resources that are subject to external restriction on how they may be used. Of this amount, \$28,287 is set aside for various capital projects.

Change in Net Assets

The total net assets of the Town of Hopkinton decreased by \$118,660 during fiscal year 2011-2012.

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, 2012.

Governmental activities decreased the Town's net assets by \$113,037 accounting for the Town's total reduction in net assets, while business type activities decreased the Town's net assets by \$5,623.

TOWN OF HOPKINTON'S CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2011	2012	2011	2012	2011	2012
Revenues						
Program						
Charges for services	\$ 687,298	\$ 691,667	\$ 20,539	\$ 18,193	\$ 707,837	\$ 709,860
Operating/Capital grants and contribution	5,667,513	6,184,755			5,667,513	6,184,755
General revenues						
Property taxes	17,646,664	17,701,333			17,646,664	17,701,333
State Aid	199,340	201,609			199,340	201,609
Investment earnings	5,856	5,657	69	106	5,925	5,763
Miscellaneous	1,517	992			1,517	992
Total Revenues	24,208,188	24,786,013	20,608	18,299	24,228,796	24,804,312
Program Expenses						
General government	1,858,524	1,764,700			1,858,524	1,764,700
Recreation	234,471	283,243			234,471	283,243
Public safety	2,238,045	2,380,226			2,238,045	2,380,226
Public works	1,230,417	1,148,702			1,230,417	1,148,702
Social services	152,220	189,762			152,220	189,762
Education	18,099,437	18,042,864			18,099,437	18,042,864
Interest on long-term debt	70,260	89,553			70,260	89,553
Water Fund			23,399	23,922	23,399	23,922
Total Expenses	23,883,374	23,899,050	23,399	23,922	23,906,773	23,922,972
Special Item Contribution to Land Trust		(1,000,000)				(1,000,000)
Change in net assets	324,814	(113,037)	(2,791)	(5,623)	322,023	(118,660)
Net assets beginning of year	8,818,849	9,143,663	403,906	401,115	9,222,755	9,544,778
Net assets end of year	\$9,143,663	\$9,030,626	\$401,115	\$395,492	\$9,544,778	9,426,118

Financial Analysis of the Town of Hopkinton's Funds

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

At the end of the current fiscal year, 2012, the Town's governmental funds reported combined ending fund balances of \$5,887,248. The General Fund reported an unassigned fund balance of \$3,855,592 representing approximately 65.49% of total fund balance.

Nonspendable/Restricted/Committed/Assigned General fund balance:

Nonspendable noncurrent receivable	\$ 231,866
Restricted	2,393
Committed	385,824
Assigned	<u>84,522</u>
Total Nonspendable/Restricted/ Committed/Assigned Fund Balance	<u>\$704,605</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 the Hopkinton Water Supply Fund is \$67,811.

The Town of Hopkinton's General Fund Budgetary Items

The Town General Fund shows an operating surplus of \$375,528. The budget was in excess of \$24 million this amount is 1.56% of the budget projections by Town officials. The largest surplus was in the Property Tax Revenue of \$165,635 more than anticipated.

The Town of Hopkinton's Capital Assets

The Town of Hopkinton's investment in capital assets for its governmental and business-type activities amounts to \$4,850,904 net of accumulated depreciation at June 30, 2012. Included are land, buildings and improvements, motor vehicles, furniture and equipment, infrastructure, and construction in progress.

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

	Governmental		Business-type		Total	
	2011	2012	2011	2012	2011	2012
Land & Construct. in Progress	\$ 349,470	\$ 349,470	\$ 0	\$ 0	\$ 349,470	\$ 349,470
Buildings and improvements	2,194,262	2,136,587	0	0	2,194,262	2,136,587
Motor vehicles	353,955	323,738	0	0	353,955	323,738
Furniture and equipment	75,251	50,332	0	0	75,251	50,332
Infrastructure	1,532,201	1,663,096	338,083	327,681	1,870,284	1,990,777
Total	\$4,505,139	\$4,523,223	\$338,083	\$327,681	\$4,843,222	\$4,850,904

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 \$1,804,090.

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

	Gov Activities	Total
Gen Obligation Bonds	\$1,804,090	\$1,804,090
Capital Leases Payable	28,223	28,223
Amortized Premium on Bond	14,834	14,834
Totals	\$1,847,147	\$1,847,147

The State of Rhode Island imposes a limit of 3 percent of the fair market value of all taxable town property on the general obligation debt that a municipality can issue. The Town of Hopkinton's limit is \$27,168,682 at year-end. The Town's outstanding general obligation debt subject to the limit is \$1,804,090 at year-end, which is \$25,364,592 under the State imposed limitation.

Subsequent Fiscal Year 2012-2013 Budget and Tax Rates

The Town of Hopkinton's total general fund budget for fiscal year 12/13 is \$24,516,405, which reflects an increase of \$445,613 from the fiscal 11/12 budget. In the Town's 12/13 budget, \$18,448,552 or 75.25% is allocated for educational purposes and \$6,067,853 or 24.75% is budgeted for other purposes.

Of the \$18,448,552 budgeted for educational purposes, the State of Rhode Island has budgeted for fiscal year 12/13 to contribute \$5,607,381 to the Town's education expense and the Town is budgeted to contribute \$12,841,171.

The Town's tax rate for fiscal year 12/13 is \$19.98 per thousand for real estate and tangible personal property and \$21.18 per hundred for motor vehicles. The tax rate for fiscal year 11/12 was \$19.34 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, 2012

	<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	\$ 5,426,550	\$ 61,253	\$ 5,487,803	\$ 172,135
Receivables:				
Property taxes, net of allowance for uncollectible accounts	791,445	-	791,445	-
Accounts receivable, user fees -net	-	20,085	20,085	-
Due from federal and state government	10,202	-	10,202	-
Other	118,414	-	118,414	-
Total current assets	<u>6,346,611</u>	<u>81,338</u>	<u>6,427,949</u>	<u>172,135</u>
Noncurrent assets:				
Due from component unit	404,001	-	404,001	-
Capital assets: (Note 5)				
Land and land rights	349,470	-	349,470	2,907,186
Depreciable buildings, equipment and infrastructure, net	4,173,753	327,681	4,501,434	18,975
Other assets, net	28,889	-	28,889	-
Total noncurrent assets	<u>4,956,113</u>	<u>327,681</u>	<u>5,283,794</u>	<u>2,926,161</u>
Total assets	<u>11,302,724</u>	<u>409,019</u>	<u>11,711,743</u>	<u>3,098,296</u>
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	253,989	13,527	267,516	-
Accrued interest payable	19,486	-	19,486	-
Unearned revenue	21,331	-	21,331	-
Compensated absences payable	112,307	-	112,307	-
Long-term debt -due within one year (Note 6)	178,387	-	178,387	-
Total current liabilities	<u>585,500</u>	<u>13,527</u>	<u>599,027</u>	<u>-</u>
Noncurrent liabilities				
Due to primary government	-	-	-	404,001
Compensated absences payable	17,838	-	17,838	-
Long-term debt - due in more than one year (Note 6)	1,668,760	-	1,668,760	-
Total noncurrent liabilities	<u>1,686,598</u>	<u>-</u>	<u>1,686,598</u>	<u>404,001</u>
Total liabilities	<u>2,272,098</u>	<u>13,527</u>	<u>2,285,625</u>	<u>404,001</u>
Net Assets:				
Invested in capital assets, net of related debt	3,894,231	327,681	4,221,912	2,926,161
Restricted for:				
Community development	163,737	-	163,737	-
Historical records preservation	31,454	-	31,454	-
Public safety programs	56,041	-	56,041	-
Capital projects	28,287	-	28,287	-
Permanent fund:				
Expendable	7,067	-	7,067	-
Nonexpendable	7,325	-	7,325	-
Unrestricted	4,842,484	67,811	4,910,295	(231,866)
Total net assets	<u>\$ 9,030,626</u>	<u>\$ 395,492</u>	<u>\$ 9,426,118</u>	<u>\$ 2,694,295</u>

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

TOWN OF HOPKINTON, RHODE ISLAND
Statement of Activities
For the Fiscal Year Ended June 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>			<u>Component Unit</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		<u>Land Trust</u>	
					<u>Governmental Activities</u>	<u>Business-Type Activities</u>		
Primary government:								
Governmental Activities:								
General government	\$ 1,764,700	\$ 391,962	\$ 74,005	\$ -	\$ (1,298,733)	\$ -	\$ (1,298,733)	\$ -
Public safety	2,380,226	154,122	33,443	-	(2,192,661)	-	(2,192,661)	-
Public works	1,148,702	59,727	9,604	227,000	(852,371)	-	(852,371)	-
Recreation	283,243	85,806	1,000	-	(196,437)	-	(196,437)	-
Public and social services	189,762	50	113,819	-	(75,893)	-	(75,893)	-
Education	18,042,864	-	5,725,884	-	(12,316,980)	-	(12,316,980)	-
Debt service, interest	89,553	-	-	-	(89,553)	-	(89,553)	-
Total governmental activities	23,899,050	691,667	5,957,755	227,000	(17,022,628)	-	(17,022,628)	-
Business-Type Activities:								
Water supply	23,922	18,193	-	-	-	(5,729)	(5,729)	-
Total business-type activities	23,922	18,193	-	-	-	(5,729)	(5,729)	-
Total primary government	\$ 23,922,972	\$ 709,860	\$ 5,957,755	\$ 227,000	(17,022,628)	(5,729)	(17,028,357)	-
Component Unit:								
Land trust	\$ 16,403	\$ 920	\$ 11,147	\$ 1,000,000	-	-	-	995,664
General Revenues:								
Property taxes					17,701,333	-	17,701,333	-
State aid and grants not restricted for a specific purpose					201,609	-	201,609	-
Investment earnings					5,657	106	5,763	444
Miscellaneous					992	-	992	-
Special Item - contribution to land trust					(1,000,000)	-	(1,000,000)	-
Total general revenues and special items					16,909,591	106	16,909,697	444
Change in net assets					(113,037)	(5,623)	(118,660)	996,108
Net assets - beginning of year					9,143,663	401,115	9,544,778	1,698,187
Net assets - end of year					\$ 9,030,626	\$ 395,492	\$ 9,426,118	\$ 2,694,295

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

TOWN OF HOPKINTON, RHODE ISLAND

**Balance Sheet
Governmental Funds
June 30, 2012**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash	\$ 4,633,382	\$ 793,168	\$ 5,426,550
Receivables:			
Property taxes, net of allowance for doubtful accounts of \$133,116	791,445	-	791,445
Due from federal and state government	8,966	1,236	10,202
Other	12,564	105,850	118,414
Due from other funds	127,753	594,734	722,487
Due from component unit	404,001	-	404,001
Total assets	<u>\$ 5,978,111</u>	<u>\$ 1,494,988</u>	<u>\$ 7,473,099</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable and accrued expenditures	\$ 253,989	\$ -	\$ 253,989
Due to other funds	660,400	62,087	722,487
Deferred revenue	503,525	105,850	609,375
Total liabilities	<u>1,417,914</u>	<u>167,937</u>	<u>1,585,851</u>
Fund balances			
Nonspendable:			
Noncurrent receivable	231,866	-	231,866
Permanent fund principal	-	7,325	7,325
Restricted for:			
Community development	-	57,887	57,887
Historical records preservation	-	31,454	31,454
Public safety programs	2,393	53,648	56,041
Landfill capital projects	-	20,000	20,000
Recreation capital projects	-	8,287	8,287
Cemetery perpetual care	-	7,067	7,067
Committed for:			
Employee relations costs	102,554	-	102,554
Property revaluation	244,457	-	244,457
Public works	38,813	-	38,813
Educational capital facilities expansion	-	105,615	105,615
Capital projects	-	1,035,768	1,035,768
Assigned for:			
2013 budget	60,000	-	60,000
Grant matching	24,522	-	24,522
Unassigned	3,855,592	-	3,855,592
Total fund balances	<u>4,560,197</u>	<u>1,327,051</u>	<u>5,887,248</u>
Total liabilities and fund balances	<u>\$ 5,978,111</u>	<u>\$ 1,494,988</u>	<u>\$ 7,473,099</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, 2012

Total Fund Balances - Total Governmental Funds	\$ 5,887,248
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. See Note 5 to the financial statements.	4,523,223
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.	482,194
Other accounts receivable and revenues are not available to pay for current period expenditures and, therefore, are deferred in the Governmental Funds Financial Statements.	105,850
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.	(19,486)
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.	(1,977,292)
Debt issuance costs are reported as expenditures in the Governmental Fund Financial Statements. The costs net of accumulated amortization are reported as an other asset in the Government-Wide Financial Statements.	<u>28,889</u>
Net Assets - Governmental Activities	<u><u>\$ 9,030,626</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, 2012

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Property taxes	\$ 17,586,304	\$ -	\$ 17,586,304
Federal and state grants and aid	6,037,012	342,568	6,379,580
Charges for services and fees	793,615	25,671	819,286
Private grants and contributions	5,785	1,000	6,785
Interest on investments	3,915	1,742	5,657
Other revenues	992	-	992
Total revenues	<u>24,427,623</u>	<u>370,981</u>	<u>24,798,604</u>
Expenditures:			
Current:			
General government	1,736,044	31,300	1,767,344
Public safety	2,367,252	55,281	2,422,533
Public works	1,013,227	275,607	1,288,834
Recreation	248,049	-	248,049
Public and social services	127,115	86,372	213,487
Education - payment to school district	18,042,864	-	18,042,864
Debt service:			
Principal	107,903	-	107,903
Interest and other charges	104,432	-	104,432
Total expenditures	<u>23,746,886</u>	<u>448,560</u>	<u>24,195,446</u>
Excess (deficiency) of revenues over (under) expenditures	<u>680,737</u>	<u>(77,579)</u>	<u>603,158</u>
Other financing sources (uses):			
Bonds issued	1,000,000	-	1,000,000
Capital-related debt issued	29,760	-	29,760
Premium on debt	15,615	-	15,615
Transfers from other funds	-	397,200	397,200
Transfers to other funds	(397,200)	-	(397,200)
Total other financing sources (uses)	<u>648,175</u>	<u>397,200</u>	<u>1,045,375</u>
Special item:			
Contribution to land trust	(1,000,000)	-	(1,000,000)
Net change in fund balances	328,912	319,621	648,533
Fund balances - beginning of year	<u>4,231,285</u>	<u>1,007,430</u>	<u>5,238,715</u>
Fund balances - end of year	<u>\$ 4,560,197</u>	<u>\$ 1,327,051</u>	<u>\$ 5,887,248</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, 2012

Net Changes in Fund Balances - Total Governmental Funds	\$ 648,533
 <i>Amounts reported for Governmental Activities in the Statement of Activities are different because:</i>	
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.	294,400
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the Governmental Fund Financial Statements.	(276,316)
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.	44,756
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.	23,725
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.	190,794
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.	(10,633)
Proceeds from the issuance of debt are an other financing source in the Governmental Fund Financial Statements, but the issuance of debt increases long-term liabilities in the Government-Wide Statement of Net Assets. This amount represents debt issued during the current period.	(1,029,760)
Debt issued at a premium provide current financial resources to Governmental Funds, but are deferred and amortized in the Government-Wide Financial Statements. Debt issuance costs are expenditures in the Governmental Funds, but are deferred and amortized in the Government-Wide Financial Statements. This amount represents bond premium reported during the current period.	(15,615)
This amount represents debt issuance costs incurred during the current period.	30,409
This amount represents the amortization of bond premium during the current period.	781
This amount represents the amortization of debt issuance costs during the current period.	(1,520)
Revenues reported in prior periods in the Statement of Activities that are not reported in Governmental Funds until the revenues are measurable and available.	<u>(12,591)</u>
 Change in Net Assets - Governmental Activities	 <u>\$ (113,037)</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, 2012

	<u><i>Enterprise Fund</i></u> <u><i>Water Supply</i></u>
<i>Assets</i>	
<i>Current assets</i>	
Cash and cash equivalents	\$ 61,253
Accounts receivable, user fees - net	20,085
<i>Total current assets</i>	<u>81,338</u>
<i>Noncurrent assets</i>	
Depreciable capital assets - net	327,681
<i>Total noncurrent assets</i>	<u>327,681</u>
<i>Total assets</i>	<u>409,019</u>
 <i>Liabilities</i>	
<i>Current liabilities</i>	
Accounts payable and accrued expenses	<u>13,527</u>
<i>Total current liabilities</i>	<u>13,527</u>
<i>Total liabilities</i>	<u>13,527</u>
 <i>Net assets</i>	
Invested in capital assets, net of related debt	327,681
Unrestricted	<u>67,811</u>
<i>Total net assets</i>	<u><u>\$ 395,492</u></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, 2012

	<u>Enterprise Fund</u> <u>Water Supply</u>
Operating revenues	
User fees	\$ 18,193
Total operating revenues	<u>18,193</u>
Operating expenses	
Water purchases	13,220
Contract services	300
Depreciation	10,402
Total operating expenses	<u>23,922</u>
Operating loss	<u>(5,729)</u>
 Nonoperating revenues	
Interest income	106
Total nonoperating revenues	<u>106</u>
Change in net assets	(5,623)
Total net assets - beginning of year	<u>401,115</u>
Total net assets - end of year	<u><u>\$ 395,492</u></u>

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

TOWN OF HOPKINTON, RHODE ISLAND
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	<u><i>Enterprise Fund</i></u> <u><i>Water Supply</i></u>
<i>Cash flows from operating activities</i>	
Cash received from customers for user fees	\$ 26,630
Cash paid to suppliers	<u>(6,076)</u>
<i>Net cash provided by operating activities</i>	<u>20,554</u>
 <i>Cash flows from investing activities</i>	
Interest received	<u>106</u>
<i>Net cash provided by investing activities</i>	<u>106</u>
 <i>Net increase in cash and cash equivalents</i>	
	20,660
<i>Cash and cash equivalents - beginning of year</i>	<u>40,593</u>
<i>Cash and cash equivalents - end of year</i>	<u><u>\$ 61,253</u></u>

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

TOWN OF HOPKINTON, RHODE ISLAND
Statement of Cash Flows (Continued)
Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	<u><i>Enterprise Fund</i></u> <u><i>Water Supply</i></u>
<i>Reconciliation of operating loss to net cash provided by operating activities:</i>	
Operating loss	\$ (5,729)
<i>Adjustments to reconcile operating loss to net cash provided by operating activities:</i>	
Depreciation	10,402
Changes in assets and liabilities:	
Decrease in accounts receivable, user fees	3,617
Decrease in prepaid expenses	4,513
Increase in accounts payable and accrued expenses	<u>7,751</u>
<i>Net cash provided by operating activities</i>	<u><u>\$ 20,554</u></u>

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

TOWN OF HOPKINTON, RHODE ISLAND

Notes to Financial Statements

June 30, 2012

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, 2012

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 Fiduciary 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, 2012

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

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

Governmental Funds:

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

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The Town has no major special revenue funds for the year ended June 30, 2012.

Capital Project Funds – Capital project funds are used to account for resources that are restricted, committed or assigned for the acquisition or construction of capital facilities or other capital assets. The Town has no major capital projects funds for the fiscal year ended June 30, 2012.

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, 2012.

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, 2012, the Town had one proprietary fund, the Water Supply Fund, which is a major fund.

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

Fiduciary Funds:

Fiduciary funds are used to report assets held by the Town in a trustee or agency capacity and, therefore, cannot be used to support the Town's own programs. For the year ended June 30, 2012, the Town had no fiduciary funds.

TOWN OF HOPKINTON, RHODE ISLAND

Notes to Financial Statements

June 30, 2012

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The Government-Wide Financial Statements are reported using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all the Town’s assets and liabilities, including capital assets, infrastructure assets, and long-term liabilities, are included in the Statement of Net 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 susceptible to accrual. Susceptibility occurs when revenues are both measurable and available to finance expenditures of the current period. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (generally sixty days). Expenditures, including capital outlays, are recognized when a liability has been incurred, except for those involving debt service and other long-term obligations that are recognized when paid.

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

Proprietary funds are reported using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net 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 Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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, 2012

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 between August 1 and September 8 or in quarterly installments by September 8, December 8, March 8 and June 8. Failure to make payments will result in a lien on the taxpayer’s property.

Rhode Island General Laws restrict the Town’s ability to increase either its total tax levy or its tax rates more than 4.25% 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, 2012

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. DEBT PREMIUMS AND ISSUANCE COSTS

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

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

TOWN OF HOPKINTON, RHODE ISLAND

Notes to Financial Statements

June 30, 2012

J. COMPENSATED ABSENCES

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

Vacation benefits are accrued as a liability based on the accumulated benefits earned at June 30. Sick leave benefits are based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and those employees for whom it is probable they will become eligible to receive termination benefits in the future. The liability is calculated at the rate of pay in effect at June 30, 2012.

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

K. LONG-TERM OBLIGATIONS

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

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

L. DEFERRED REVENUE

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

M. FUND EQUITY

Government-Wide Financial Statements:

The Government-Wide Financial Statements utilize a net 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.

TOWN OF HOPKINTON, RHODE ISLAND

Notes to Financial Statements

June 30, 2012

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

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

Fund Statements:

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

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

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

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

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

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

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

TOWN OF HOPKINTON, RHODE ISLAND

Notes to Financial Statements

June 30, 2012

N. USE OF ESTIMATES

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. LEGAL DEBT MARGIN

The Town’s legal debt margin as set forth by State Statute is limited to three percent of total taxable assessed value, which approximates \$27,168,682. As of June 30, 2012, the Town’s debt subject to the legal debt margin is \$1,804,090 and the Town is under the debt limit by \$25,364,592. 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”.

	<u>Carrying</u>
	<u>Amount</u>
Total Deposits	\$5,658,738
Add: Petty cash and cash on hand	<u>1,200</u>
Total Cash and Cash Equivalents	<u>5,659,938</u>
Reported in the Financial Statements	<u>5,659,938</u>

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, 2012, \$3,915,108 of the Town’s bank balance of \$5,685,542 was exposed to custodial credit risk as follows:

	<u>Bank</u>
	<u>Balance</u>
Insured (Federal depository insurance funds)	\$1,770,434
Collateralized with securities held by pledging financial institution’s agent, but not in the Town’s name	1,054,843
Uninsured and uncollateralized	<u>2,860,265</u>
Total	<u>5,685,542</u>

TOWN OF HOPKINTON, RHODE ISLAND

Notes to Financial Statements

June 30, 2012

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, 2012, the Town's uncollateralized deposits with institutions were \$2,860,265. 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, 2012. 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, 2012

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June, 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Nondepreciable assets:				
Land	\$ 349,470	\$ -	\$ -	\$ 349,470
	<u>349,470</u>	<u>-</u>	<u>-</u>	<u>349,470</u>
Depreciable assets:				
Infrastructure	21,733,083	227,000	-	21,960,083
Buildings and improvements	3,787,606	17,389	-	3,804,995
Furniture and equipment	780,791	-	-	780,791
Motor vehicles	1,148,305	50,011	102,406	1,095,910
	<u>27,449,785</u>	<u>294,400</u>	<u>102,406</u>	<u>27,641,779</u>
Total Capital Assets	<u>27,799,255</u>	<u>294,400</u>	<u>102,406</u>	<u>27,991,249</u>
Less accumulated depreciation for:				
Infrastructure	20,200,882	96,105	-	20,296,987
Buildings and improvements	1,593,344	75,064	-	1,668,408
Furniture and equipment	705,540	24,919	-	730,459
Motor vehicles	794,350	80,228	102,406	772,172
	<u>23,294,116</u>	<u>276,316</u>	<u>102,406</u>	<u>23,468,026</u>
Total Accumulated Depreciation	<u>23,294,116</u>	<u>276,316</u>	<u>102,406</u>	<u>23,468,026</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,505,139</u>	<u>\$ 18,084</u>	<u>\$ -</u>	<u>\$ 4,523,223</u>
Business-Type Activities				
Depreciable assets:				
Water lines	\$ 520,092	\$ -	\$ -	\$ 520,092
	<u>520,092</u>	<u>-</u>	<u>-</u>	<u>520,092</u>
Total Capital Assets	<u>520,092</u>	<u>-</u>	<u>-</u>	<u>520,092</u>
Less accumulated depreciation for:				
Water lines	182,009	10,402	-	192,411
	<u>182,009</u>	<u>10,402</u>	<u>-</u>	<u>192,411</u>
Total Accumulated Depreciation	<u>182,009</u>	<u>10,402</u>	<u>-</u>	<u>192,411</u>
Business-Type Activities Capital Assets, Net	<u>\$ 338,083</u>	<u>\$ (10,402)</u>	<u>\$ -</u>	<u>\$ 327,681</u>

TOWN OF HOPKINTON, RHODE ISLAND

Notes to Financial Statements

June 30, 2012

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Retirements</i>	<i>Ending Balance</i>
<i>Capital asset activity for the Land Trust for the year ended June 30, 2012 is as follows:</i>				
Nondepreciable assets:				
Land and land rights	\$ 2,503,185	\$ 404,001	\$ -	\$ 2,907,186
	2,503,185	404,001	-	2,907,186
Depreciable assets:				
Improvements other than buildings	33,000	-	-	33,000
Less accumulated depreciation for:				
Improvements other than buildings	12,375	1,650	-	14,025
<i>Depreciable Assets, Net</i>	20,625	(1,650)	-	18,975
<i>Land Trust Capital Assets, Net</i>	\$ 2,523,810	\$ 402,351	\$ -	\$ 2,926,161
Depreciation expense was charged as follows:				
Governmental activities:				
General government		\$ 23,222		
Public safety		66,729		
Public works		154,119		
Recreation		32,246		
<i>Total Depreciation Expense, Governmental Activities</i>		\$ 276,316		
Business-type activities:				
Water supply		\$ 10,402		
<i>Total Depreciation Expense, Business-Type Activities</i>		\$ 10,402		

NOTE 6 – LONG-TERM LIABILITIES

A. LONG-TERM LIABILITIES:

Changes in long-term liabilities during the year ended June 30, 2012 were as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Retirements</i>	<i>Ending Balance</i>	<i>Amounts Due Within One Year</i>
<i>Governmental Activities:</i>					
<i>Bonds and capital leases payable:</i>					
General obligation bonds payable	\$ 911,993	\$ 1,000,000	\$ 107,903	\$ 1,804,090	\$ 160,071
Capital leases	81,354	29,760	82,891	28,223	18,316
Plus: amortized premium on bond	-	15,615	781	14,834	-
<i>Total bonds and capital leases</i>	993,347	1,045,375	191,575	1,847,147	178,387
<i>Other liabilities:</i>					
Accrued compensated absences	174,901	2,948	47,704	130,145	112,307
<i>Total Governmental Activities Long-Term Liabilities</i>	\$ 1,168,248	\$ 1,048,323	\$ 239,279	\$ 1,977,292	\$ 290,694

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, 2012

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, 2011</u>	<u>New Issues</u>	<u>Maturities During Year</u>	<u>Outstanding June 30, 2012</u>
Rhode Island Clean Water Finance Agency	6/29/1994	3.04%	9/1/2014	\$ 1,346,179	\$ 271,095	\$ -	\$ 67,774	\$ 203,321
Police Station Fund: Dime Savings Bank	4/25/2003	5.00%	5/1/2023	900,000	640,898	-	40,129	600,769
Open Space	7/21/2011	2.5-4.375%	8/15/2031	1,000,000	-	1,000,000	-	1,000,000
Total governmental activities bonds payable					\$ 911,993	\$ 1,000,000	\$ 107,903	\$ 1,804,090

At June 30, 2012 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>
2013	\$ 160,071	\$ 71,350	\$ 231,421
2014	162,266	65,509	227,775
2015	164,575	59,429	224,004
2016	99,168	54,489	153,657
2017	101,781	50,501	152,282
2018-2022	552,072	186,402	738,474
2023-2027	314,157	83,672	397,829
2028-2032	250,000	27,344	277,344
	<u>\$ 1,804,090</u>	<u>\$ 598,696</u>	<u>\$ 2,402,786</u>

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
 June 30, 2012

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, 2011</u>	<u>New Issues</u>	<u>Retirements During Year</u>	<u>Outstanding June 30, 2012</u>
Dump trucks	8/21/2008	4.59%	8/21/2011	\$ 250,000	\$ 63,876	\$ -	\$ 63,876	\$ -
Police vehicle	1/11/2011	6.50%	1/11/2013	27,078	17,478	-	8,464	9,014
Police vehicle	11/3/2011	6.50%	11/3/2013	29,760	-	29,760	10,551	19,209
Total governmental activities capital leases					\$ 81,354	\$ 29,760	\$ 82,891	\$ 28,223

Obligations of governmental activities under capital leases at June 30, 2012 were as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Lease Payment Requirements</u>
2013	\$ 20,151
2014	10,551
Total minimum lease payments	30,702
Less: Amount representing interest cost	(2,479)
Present value of minimum lease payments	<u>\$ 28,223</u>

TOWN OF HOPKINTON, RHODE ISLAND

Notes to Financial Statements

June 30, 2012

NOTE 7 – SHORT – TERM DEBT

The Town issued a short-term general obligation bond anticipation note in the amount of \$1,000,000 on November 30, 2010, maturing on August 30, 2011 with an interest rate of 1.4%. The proceeds were used to pay off a general obligation bond anticipation note of \$1,000,000 due on November 30, 2010.

Short-term debt activity for the year ended June 30, 2012 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:	\$1,000,000	\$ -	\$ 1,000,000	\$ -	\$ -

NOTE 8 – INTERFUND BALANCES

The Town reports interfund balances between many of its funds. Interfund balances at June 30, 2012 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>	
<i>Due To:</i>			
General Fund	\$ -	\$ 660,400	\$ 660,400
Nonmajor Governmental Funds	127,753	(65,666)	62,087
<i>Total</i>	<u>\$ 127,753</u>	<u>\$ 594,734</u>	<u>\$ 722,487</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.

NOTE 9 – INTERFUND TRANSFERS

	<u><i>Transfer From:</i></u>	
	<u><i>General Fund</i></u>	<u><i>Total</i></u>
<i>Transfer To:</i>		
Nonmajor Governmental Funds	\$ 397,200	\$ 397,200
<i>Total</i>	<u>\$ 397,200</u>	<u>\$ 397,200</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.

TOWN OF HOPKINTON, RHODE ISLAND

Notes to Financial Statements

June 30, 2012

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 \$133,116. 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, 2012, were as follows:

	<i>Vendors</i>	<i>Salaries and Benefits</i>	<i>Other</i>	<i>Total</i>
Governmental Activities:				
General Fund	\$ 99,121	\$ 149,187	\$ 5,681	\$ 253,989
<i>Total Governmental Activities</i>	<u>\$ 99,121</u>	<u>\$ 149,187</u>	<u>\$ 5,681</u>	<u>\$ 253,989</u>
Business-Type Activities:				
Water Supply	\$ 8,708	\$ -	\$ 4,819	\$ 13,527
<i>Total Business-Type Activities</i>	<u>\$ 8,708</u>	<u>\$ -</u>	<u>\$ 4,819</u>	<u>\$ 13,527</u>

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, Rhode Island 02894.

TOWN OF HOPKINTON, RHODE ISLAND

Notes to Financial Statements

June 30, 2012

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, 2012.

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.

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:

<u><i>Year Ending June 30,</i></u>	
2013	\$12,835
2014	12,835
2015	12,835
2016	3,209
	<u>\$41,714</u>

TOWN OF HOPKINTON, RHODE ISLAND

Notes to Financial Statements

June 30, 2012

NOTE 15 – SPECIAL ITEM

On July 21, 2011 the Town issued \$1,000,000 in General Obligation Bonds in order to fund a \$1,000,000 contribution to the Hopkinton Land Trust. The contribution has been reported as a special item since it is significant and infrequent in occurrence.

NOTE 16 – PENSION PLAN

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND

The Town of Hopkinton participates in the Municipal Employees' Retirement System ("MERS"), an agent multiple employer defined benefit plan administered by the State of Rhode Island. All Town employees participate in the MERS. The payroll for employees covered by the MERS for the year ended June 30, 2012 was \$2,471,556 (General employees - \$1,571,748, Police officers - \$899,808).

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

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 compensation multiplied by the number years of total service up to 37.5 years, to a maximum benefit of 75% of final average compensation. Final average compensation is the average of the three highest consecutive years of earned compensation exclusive of overtime, bonuses or severance pay. Such benefits are available to general employees at or after 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 compensation per year of service up to 30 years, to a maximum benefit of 75% of final average compensation. 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. The Town has elected COLA Plan C for all employees and the 20-year service optional plan for police officers.

TOWN OF HOPKINTON, RHODE ISLAND

Notes to Financial Statements

June 30, 2012

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.

Pension Reform Impacting Future Periods

In November 2011, the Rhode Island General Assembly enacted comprehensive pension reform legislation which included implementing a supplemental defined contribution plan and other benefit and eligibility changes including suspending COLAs. The above changes and other provisions of the reform enacted are effective July 1, 2012.

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 2012 was 4.80% of covered payroll for general employees and 24.01% for police officers.

Annual Pension Cost

For fiscal 2012, the Town's annual pension cost of \$291,487 for the MERS was equal to the Town's required and actual contributions.

Three-Year Trend Information

GENERAL MUNICIPAL EMPLOYEES

<i>Fiscal Year</i>	<i>Annual Pension Cost (APC)</i>	<i>Percentage of APC Contributed</i>	<i>Net Pension Obligation</i>
2010	\$58,220	100%	\$ -
2011	\$53,475	100%	\$ -
2012	\$75,444	100%	\$ -

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
 June 30, 2012

POLICE OFFICERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2010	\$150,270	100%	\$ -
2011	\$152,640	100%	\$ -
2012	\$216,043	100%	\$ -

The required contribution was determined as part of the June 30, 2009 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, 2009 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, 2009 was 20 years.

Funded Status and Funding Progress

Information on the funded status and funding progress of each plan as of June 30, 2011, the most recent actuarial valuation date, is as follows:

- **General Employees** – The plan was 112.2% funded. The actuarial accrued liability for benefits was \$3,789,136, and the actuarial value of assets was \$4,251,655, resulting in an unfunded actuarial accrued liability (UAAL)/ (Funding Excess) of \$(462,519). The covered payroll (annual payroll of active employees covered by the plan) was \$1,544,552, and the ratio of the UAAL/ (Funding Excess) to covered payroll was (29.9%).

TOWN OF HOPKINTON, RHODE ISLAND

Notes to Financial Statements

June 30, 2012

- **Police Officers** – The plan was 80.0% funded. The actuarial accrued liability for benefits was \$5,356,891, and the actuarial value of assets was \$4,285,562, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,071,329. The covered payroll (annual payroll of active employees covered by the plan) was \$846,825, and the ratio of the UAAL to covered payroll was 126.5%.

The June 30, 2011 actuarial valuation uses the actuarial method and assumptions described under Annual Pension Cost, except the investment rate of return was changed to 7.5%, projected salary increases were changed to 4% for general employees and 4.25% for police officers, and the amortization period for the UAAL was changed to 25 years from June 30, 2010.

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

*Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2012*

	<i>Original/ Final Budget</i>	<i>Actual (Budgetary Basis)</i>	<i>Variance Positive (Negative)</i>
Revenues			
Property taxes	\$ 17,420,669	\$ 17,586,304	\$ 165,635
Federal and state grants and aid	5,953,166	6,031,011	77,845
Charges for services	628,457	793,615	165,158
Interest on investments	3,500	3,054	(446)
Other revenue	5,000	992	(4,008)
Use of fund balance	60,000	60,000	-
Total revenues	<u>24,070,792</u>	<u>24,474,976</u>	<u>404,184</u>
Expenditures			
Current:			
General government	1,667,070	1,734,835	(67,765)
Public safety	2,237,008	2,329,439	(92,431)
Public works	1,143,218	1,013,227	129,991
Recreation	243,770	248,048	(4,278)
Public and social services	127,219	127,115	104
Education	18,042,864	18,042,864	-
Debt service	202,443	196,720	5,723
Total expenditures	<u>23,663,592</u>	<u>23,692,248</u>	<u>(28,656)</u>
Excess of revenues over expenditures before other financing uses	<u>407,200</u>	<u>782,728</u>	<u>375,528</u>
Other financing uses			
Transfers to other funds	<u>(407,200)</u>	<u>(407,200)</u>	<u>-</u>
Total other financing uses	<u>(407,200)</u>	<u>(407,200)</u>	<u>-</u>
Excess of revenues over expenditures and other financing uses, budgetary basis	<u>\$ -</u>	<u>375,528</u>	<u>\$ 375,528</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>
Police Officers Pension Plan: (1)							
	6/30/09	\$4,109,089	\$5,075,599	\$966,510	81.0%	\$786,001	123.0%
	6/30/10	\$4,174,748	\$5,110,459	\$935,711	81.7%	\$796,584	117.5%
	6/30/11	\$4,285,562	\$5,356,891	\$1,071,329	80.0%	\$846,825	126.5%
General Municipal Employees Pension Plan: (1)							
	6/30/09	\$3,804,392	\$3,271,996	(\$532,396)	116.3%	\$1,407,364	(37.8%)
	6/30/10	\$4,148,476	\$3,508,902	(\$639,574)	118.2%	\$1,482,550	(43.14%)
	6/30/11	\$4,251,655	\$3,789,136	(\$462,519)	112.2%	\$1,544,552	(29.9%)

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

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Required Supplementary Information
 June 30, 2012

NOTE 1 - SCHEDULE OF FUNDING PROGRESS

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

	<i>General Municipal Employees Pension Plan</i>	<i>Police Officers Pension Plan</i>												
Valuation date	6/30/2011	6/30/2011												
Actuarial cost method	Entry Age	Entry Age												
Amortization method	Level percent of payroll - closed	Level percent of payroll - closed												
Amortization period	25 year period from June 30, 2010 or 24 years remaining as of valuation date	25 year period from June 30, 2010 or 24 years remaining as of valuation date												
Asset valuation method	Market value of assets with a 5-year phase-in of actual investment return in excess of (less than) expected investment income	Market value of assets with a 5-year phase-in of actual investment return in excess of (less than) expected investment income												
Actuarial assumptions: Investment rate of return	7.5%, compounded annually, composed of an assumed 2.75% inflation rate and a 4.75% net real rate of return	7.5%, compounded annually, composed of an assumed 2.75% inflation rate and a 4.75% net real rate of return												
Projected salary increases	The sum of a 4% wage inflation assumption (composed of a 2.75% price inflation assumption and a 1.25% additional general increase) and a service related component	The sum of a 4.25% wage inflation assumption (composed of a 2.75% price inflation assumption and 1.5% additional general increase) and a service related component												
Post-retirement benefit	Assumed to be 2% per annum for all units. The actual COLA will be determined based on the plan's five-year average investment rate minus 5.5% and will range from zero to 4.0%	Assumed to be 2% per annum for all units. The actual COLA will be determined based on the plan's five-year average investment rate minus 5.5% and will range from zero to 4.0%												
Participant information	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Active employees</td> <td style="text-align: right;">35</td> </tr> <tr> <td>Retirees and beneficiaries</td> <td style="text-align: right;"><u>13</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>48</u></td> </tr> </table>	Active employees	35	Retirees and beneficiaries	<u>13</u>		<u>48</u>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Active employees</td> <td style="text-align: right;">14</td> </tr> <tr> <td>Retirees and beneficiaries</td> <td style="text-align: right;"><u>7</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>21</u></td> </tr> </table>	Active employees	14	Retirees and beneficiaries	<u>7</u>		<u>21</u>
Active employees	35													
Retirees and beneficiaries	<u>13</u>													
	<u>48</u>													
Active employees	14													
Retirees and beneficiaries	<u>7</u>													
	<u>21</u>													

(Continued)

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2012

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 2012. 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. Differences between the budgetary basis and the generally accepted accounting principles basis are as follows:

<u>Revenues and Other Financing Sources</u>	<u>General Fund</u>
Revenues and other financing sources – budgetary basis	\$24,474,976
Use of fund balance is not revenue for financial reporting purposes.	(60,000)
Unbudgeted revenues not included in budgetary revenues, but included for financial reporting purposes.	12,647
Bonds and capital-related debt proceeds not budgeted.	1,029,760
Premium on debt not budgeted.	15,615
<i>Total revenues and other financing sources as reported in the statement of revenues, expenditures and changes in fund balances – governmental funds</i>	<u><u>\$25,472,998</u></u>
<u>Expenditures and Other Financing Uses</u>	
Expenditures and other financing uses – budgetary basis	\$24,099,448
Unbudgeted expenditures not included in budgetary expenditures, but included for financial reporting purposes.	24,878
Capital lease expenditure not budgeted.	29,760
Budgeted transfer included for budgetary purposes, but not for financial reporting purposes.	(10,000)
<i>Total expenditures and other financing uses as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds</i>	<u><u>\$24,144,086</u></u>

TOWN OF HOPKINTON, RHODE ISLAND
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash	\$ 219,643	\$ 559,133	\$ 14,392	\$ 793,168
Due from federal and state government	1,236	-	-	1,236
Other receivables	105,850	-	-	105,850
Due from other funds	29,534	565,200	-	594,734
Total assets	<u>\$ 356,263</u>	<u>\$ 1,124,333</u>	<u>\$ 14,392</u>	<u>\$ 1,494,988</u>
 LIABILITIES AND FUND BALANCES				
Liabilities				
Due to other funds	\$ 1,809	\$ 60,278	\$ -	\$ 62,087
Deferred revenue	105,850	-	-	105,850
Total liabilities	<u>107,659</u>	<u>60,278</u>	<u>-</u>	<u>167,937</u>
Fund balances				
Nonspendable - permanent fund principal	-	-	7,325	7,325
Restricted	142,989	28,287	7,067	178,343
Committed	105,615	1,035,768	-	1,141,383
Total fund balances	<u>248,604</u>	<u>1,064,055</u>	<u>14,392</u>	<u>1,327,051</u>
Total liabilities and fund balances	<u>\$ 356,263</u>	<u>\$ 1,124,333</u>	<u>\$ 14,392</u>	<u>\$ 1,494,988</u>

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, 2012

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues				
Federal and state grants and aid	\$ 105,964	\$ 236,604	\$ -	\$ 342,568
Charges for services and fees	25,671	-	-	25,671
Private grants and contributions	-	1,000	-	1,000
Interest on investments	350	1,372	20	1,742
Total revenues	<u>131,985</u>	<u>238,976</u>	<u>20</u>	<u>370,981</u>
Expenditures				
Current:				
General government	11,610	19,406	284	31,300
Public safety	15,012	40,269	-	55,281
Public works	-	275,607	-	275,607
Public and social services	86,372	-	-	86,372
Total expenditures	<u>112,994</u>	<u>335,282</u>	<u>284</u>	<u>448,560</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	<u>18,991</u>	<u>(96,306)</u>	<u>(264)</u>	<u>(77,579)</u>
Other financing sources				
Transfers in from other funds	-	397,200	-	397,200
Total other financing sources	<u>-</u>	<u>397,200</u>	<u>-</u>	<u>397,200</u>
Net change in fund balances	18,991	300,894	(264)	319,621
Fund balances - beginning of year	<u>229,613</u>	<u>763,161</u>	<u>14,656</u>	<u>1,007,430</u>
Fund balances - end of year	<u>\$ 248,604</u>	<u>\$ 1,064,055</u>	<u>\$ 14,392</u>	<u>\$ 1,327,051</u>

TOWN OF HOPKINTON, RHODE ISLAND
Tax Collector's Annual Report
For the Fiscal Year Ended June 30, 2012

Real Estate and Personal Property Taxes

<u>Tax Year</u>	<u>Balance June 30, 2011</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, 2012</u>
2011	\$ (20,711)	\$ 17,630,988	\$13,672	\$ (37,590)	\$ 17,586,359	\$ 16,900,713	\$ 685,646
2010	788,872	-	3,088	15,134	807,094	729,794	77,300
2009	51,119	-	351	(1,078)	50,392	21,892	28,500
2008	37,923	-	-	(378)	37,545	5,613	31,932
2007	25,011	-	-	-	25,011	2,752	22,259
2006	21,861	-	-	1	21,862	620	21,242
2005	24,435	-	-	-	24,435	420	24,015
2004	19,664	-	-	3	19,667	13	19,654
2003	14,008	-	-	5	14,013	-	14,013
2002	24,152	-	-	(24,152)	-	-	-
2001	16,857	-	-	(16,857)	-	-	-
2000	4,443	-	-	(4,443)	-	-	-
1999	1,806	-	-	(1,806)	-	-	-
1998	-	-	-	-	-	-	-
1997 and prior	1,791	-	-	(1,791)	-	-	-
	<u>\$ 1,011,231</u>	<u>\$ 17,630,988</u>	<u>\$ 17,111</u>	<u>\$ (72,952)</u>	<u>\$ 18,586,378</u>	<u>\$ 17,661,817</u>	924,561
					Allowance for Uncollectible Accounts		(133,116)
					Net Property Tax Receivable		<u>\$ 791,445</u>

Schedule of Most Recent Net Assessed Property Value by Category

<u>Description of Property</u>	<u>Valuation</u>	<u>Levy</u>
Real property	\$ 835,593,600	\$ 16,160,356
Motor vehicles	74,713,855	1,582,274
Tangible personal property	20,486,870	396,184
Total	<u>930,794,325</u>	<u>18,138,814</u>
Exemptions and tax freeze	(25,171,601)	(507,826)
Net assessed value	<u>\$ 905,622,724</u>	<u>\$ 17,630,988</u>

Reconciliation of current year property tax revenue

Current year collections	\$ 17,661,817
Payment adjustments	22,331
Refunds	(17,111)
Revenue collected within 60 days subsequent to year ended June 30, 2012	<u>309,243</u>
	17,976,280
Prior year revenue received in current year	(389,976)
Current year real estate and personal property tax revenue	<u>\$ 17,586,304</u>

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

	2003	2004	2005	2006	2007	2008	2009	2010	(3) 2011	(3) 2012
Revenues										
Property taxes and interest	\$ 10,475,951	\$ 11,046,819	\$ 12,899,624	\$ 13,924,722	\$ 14,361,479	\$ 14,909,405	\$ 15,798,540	\$ 15,674,241	\$ 17,647,812	\$ 17,586,304
Federal and state grants and aid	6,615,065	6,681,021	6,484,247	6,554,587	6,981,488	6,945,798	6,233,862	6,886,037	5,725,058	6,031,011
Charges for services	387,800	518,664	916,838	971,828	921,323	790,774	727,294	884,058	809,586	793,615
Private grants and contributions			-	-	-	-	-	-	2,540	-
Interest on investments	29,919	18,419	23,595	40,775	57,892	56,707	40,281	7,271	3,249	3,054
Other revenues (1)	76,868	75,940			44,160	534	677,629	10,945	1,517	992
Total revenues	17,585,603	18,340,863	20,324,304	21,491,912	22,366,342	22,703,218	23,477,606	23,462,552	24,189,762	24,414,976
Expenditures										
Current:										
General government	1,180,835	1,323,584	1,291,679	1,425,780	1,683,829	1,718,369	1,580,439	1,648,943	1,743,557	1,734,835
Public safety	1,515,295	1,645,436	1,967,907	2,106,271	2,206,762	2,352,782	2,335,600	2,201,223	2,142,084	2,329,439
Public works	813,986	824,858	1,016,374	988,571	1,202,655	1,070,838	1,381,498	1,121,971	1,114,468	1,013,227
Recreation	178,130	148,248	164,729	157,197	182,558	175,014	173,508	208,995	203,284	248,048
Public and social services	191,570	245,307	148,678	151,075	153,741	158,272	166,094	119,102	119,618	127,115
Education	13,904,886	14,289,700	15,666,290	16,076,294	16,738,899	17,314,135	17,720,106	17,590,131	18,099,437	18,042,864
Capital Improvements (2)	-	-	-	-	-	-	-	-	-	-
Debt service:										
Principal	188,861	237,303	96,001	97,466	99,006	100,520	102,327	104,119	106,005	107,903
Interest	35,536	88,515	70,865	63,980	60,053	55,276	97,953	78,329	73,199	88,817
Total expenditures	18,009,099	18,802,951	20,422,523	21,066,634	22,327,503	22,945,206	23,557,525	23,072,813	23,601,652	23,692,248
Excess of revenues over expenditures before other financing sources (uses)										
	(423,496)	(462,088)	(98,219)	425,278	38,839	(241,988)	(79,919)	389,739	588,110	722,728
Other financing sources (uses):										
Proceeds from borrowing	1,062,516	76,186	130,802	25,980	148,728	67,452	300,629	-	-	-
Transfers from other funds		148,348	150,081	120,234	60,000	55,000	-	-	-	-
Transfers to other funds	(1,328,284)	(215,421)	(128,927)	(265,383)	(153,315)	(99,215)	(57,314)	(211,237)	(162,545)	(407,200)
Total other financing sources (uses)	(265,768)	9,113	151,956	(119,169)	55,413	23,237	243,315	(211,237)	(162,545)	(407,200)
Net change in fund balances	(689,264)	(452,975)	53,737	306,109	94,252	(218,751)	163,396	178,502	425,565	315,528
Debt Service as a percentage of noncapital expenditures										
	1.25%	1.73%	0.82%	0.77%	0.71%	0.68%	0.85%	0.79%	0.76%	0.83%

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

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

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

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

<i>Fiscal Year</i>			<i>Tangible</i>			<i>Less</i>	<i>Total</i>	<i>Total</i>	
<i>Ending</i>	<i>Residential</i>	<i>Commercial*</i>	<i>Personal</i>		<i>Motor</i>	<i>Tax Exempt</i>	<i>Taxable</i>	<i>Direct</i>	
<u><i>June 30</i></u>	<u><i>Property</i></u>	<u><i>Property</i></u>	<u><i>Property</i></u>	<u><i>Inventory</i></u>	<u><i>Vehicles</i></u>	<u><i>Property</i></u>	<u><i>Value</i></u>	<u><i>Rate</i></u>	<u><i>Levy</i></u>
2003	\$ 377,129,170	\$ 24,587,380	\$ 15,557,270	\$ 1,188,170	\$ 46,867,177	\$ 25,492,500	\$ 439,836,667	\$ 23.57	\$ 10,368,718
2004	690,749,000		16,905,210	1,247,560	50,433,965	31,389,075	727,946,660	15.02	10,932,077
2005	645,309,540	46,446,200	17,686,860	1,466,500	50,565,918	32,260,139	729,214,879	17.82	12,998,099
2006	706,496,600		18,687,400	1,663,820	57,162,544	35,083,646	748,926,718	18.72	14,019,545
2007	917,162,400	71,760,600	19,107,840	1,628,260	64,457,583	47,623,239	1,026,493,444	14.20	14,574,786
2008	933,891,400	75,151,300	19,829,680	1,410,150	66,907,277	48,178,796	1,049,011,011	14.39	15,091,659
2009	942,521,500	81,711,900	20,206,920		70,847,062	52,233,162	1,063,054,220	14.72	15,651,281
2010	947,901,100	79,335,150	18,496,680		61,935,422	51,542,119	1,056,126,233	14.95	15,794,049
2011	950,720,300	79,445,750	19,746,900		66,451,004	19,970,687	1,096,393,267	16.01	17,550,424
2012	762,201,500	73,392,100	20,486,870		74,713,855	25,171,601	905,622,724	19.47	17,630,988

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

Notes:

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

The cap was set at 5.5% in FY 2007-2008 reducing by .25% until FY 2012-13 when a 4% cap will be reached. FY 2011-12 tax cap was 4.25%

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

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

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

Property is assessed at actual market value.

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

Total Direct Tax Rate is the weighted average of all individual rates applied by the Town. The Motor Vehicle rate has been frozen since 2000 at \$21.18. In fiscal year 2011-2012 the property tax rate, excluding motor vehicles, was \$19.34.

TOWN OF HOPKINTON, RHODE ISLAND
Assessed Values and Actual Values of Taxable Property
Calculation of Total Direct Tax Rate for Fiscal Year Ended June 30, 2012
"Unaudited"

<u>Category</u>	<u>Assessed Value</u>	<u>Direct rate per \$1000</u>	<u>Total Tax Levy</u>
Real Estate			
Residential	\$ 762,201,500		
Less Exemptions	13,754,810		
Net Residential	\$ 748,446,690	\$ 19.34	\$ 14,474,935
Commercial	73,392,100		
Less Exemptions	-		
Net Commercial	73,392,100	19.34	1,419,403
Tangible Property	20,486,870	19.34	396,184
Motor Vehicle	74,713,855		
Less Exemptions	11,416,791		
Net Motor Vehicle	63,297,064	21.18	1,340,466
Total	\$ 905,622,724		\$ 17,630,988
Total Tax Levy			17,630,988
Divided by Total Assessment times 1000			905,622,724
Weighted Average/Total Direct Rate			\$ 19.47

TOWN OF HOPKINTON, RHODE ISLAND

Principal Property Taxpayers

Current Year and Ten Years Ago

"Unaudited"

	<u>FY 2012</u>		<i>Percentage of Total Taxable Assessed</i>	<u>FY 2003</u>		<i>Percentage of Total Taxable Assessed</i>
	<u>Value</u>		<u>Value</u>	<u>Value</u>		<u>Value</u>
Narragansett Electric	\$ 6,906,720	1	0.76%	\$ 5,062,340	1	1.15%
Hopkinton Industrial Park LLC	6,317,100	2	0.70%			0.00%
New Canonchet Cliffs	5,023,400	3	0.55%			0.00%
Mashantucket Pequot	3,408,500	4	0.38%			0.00%
Cox Communications Inc.	3,128,400	5	0.35%	3,017,240	2	0.69%
Saugatucket Springs	3,007,600	6	0.33%			0.00%
Fenner Hill Country Club	2,998,300	7	0.33%	2,462,070	3	0.56%
Shamrock Associates LLC	1,952,800	8	0.22%	2,266,952	4	0.52%
LR6-A Owner LLC	1,716,900	9	0.19%			0.00%
Canonchet Hills Limited Partner	1,662,700	10	0.18%			0.00%
Hopkinton Housing Association				1,796,700	6	0.41%
Hopkinton Village Inc				1,622,200	7	0.37%
Paxson Communications				2,207,280	5	0.50%
Kay Dee Designs Inc				1,114,320	9	0.25%
Greene Plastics Corp				1,456,500	8	
Classic Acres Inc				1,060,670	10	
Total	<u>\$ 36,122,420</u>		<u>3.99%</u>	<u>\$ 22,066,272</u>		<u>5.03%</u>
Total Taxable Assessed Value	\$ 905,622,724			\$ 438,615,925		

TOWN OF HOPKINTON, RHODE ISLAND

Property Tax Levy and Collections

Last Ten Fiscal Years

"Unaudited"

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Actual</u> <u>Tax Rate</u>	<u>Gross</u> <u>Levy</u>	<u>Adjustments</u> <u>Addendums</u> <u>Additions</u>	<u>Net</u> <u>Levy</u>	<u>Uncollected at</u> <u>End of Year Levy</u>	<u>Uncollected</u> <u>% of</u> <u>Net Levy</u>	<u>Uncollected at</u> <u>June 30, 1012</u>
2003*	\$23.76	\$ 10,368,718	\$ 7,915	\$ 10,376,633	\$ 508,868	4.90%	\$ -
2004	14.77	10,932,077	(94,001)	10,838,076	524,898	4.84%	14,013
2005	17.71	12,998,099	26,223	13,024,322	676,308	5.19%	19,654
2006	18.64	14,019,545	(16,993)	14,002,552	713,201	5.09%	24,015
2007	14.00	14,574,786	22,212	14,596,998	935,528	6.41%	21,242
2008	14.19	15,091,659	(1,659)	15,090,000	980,879	6.50%	22,259
2009	14.50	15,651,281	(56,000)	15,595,281	797,740	5.12%	31,932
2010	14.79	15,794,049	(45,559)	15,748,490	800,969	5.09%	28,500
2011	15.69	17,550,424	(43,259)	17,507,165	788,872	4.51%	77,300
2012	19.34	17,630,988	(44,629)	17,586,359	685,646	3.90%	685,646

Notes:

Actual Tax rate is for all residential and commercial property. Motor Vehicles tax rate which is frozen at \$21.18.

Inventory tax rates not noted.

After nine years the balance is written off as uncollectible.

***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 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, 2012, which collectively comprise the Town of Hopkinton, Rhode Island's basic financial statements and have issued our report thereon dated November 30, 2012. 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

Management of the Town of Hopkinton, Rhode Island is responsible for establishing and maintaining effective 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 responses, 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 responses as item 12-1 to be a material weakness.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 12-2 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 November 30, 2012.

The Town of Hopkinton, Rhode Island's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. 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.

Baer & Company, LLC

Warwick, Rhode Island
November 30, 2012

TOWN OF HOPKINTON, RHODE ISLAND
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2012

SEGREGATION OF DUTIES

12-1 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.

12-2 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.

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.