

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

***For the Fiscal Year Ended  
June 30, 2014***

**TOWN OF HOPKINTON, RHODE ISLAND**  
**ANNUAL FINANCIAL STATEMENTS**  
*For the Fiscal Year Ended June 30, 2014*

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CERTIFIED PUBLIC ACCOUNTANTS

875 Centerville Road, Building 3, Unit 10 • Warwick, RI 02886  
(401) 586-6565 • Fax (401) 826-1710

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

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2014, and the related notes to the financial statements, which collectively comprise the Town of Hopkinton, Rhode Island's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Hopkinton, Rhode Island, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, and supplementary pension information on pages 4 through 12 and pages 43 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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

The combining nonmajor fund financial statements and tax collector's annual report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and tax collector's annual report are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2014 on our consideration of the Town of Hopkinton, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Hopkinton, Rhode Island's internal control over financial reporting and compliance.

*Bacon & Company, LLC*

Warwick, Rhode Island  
December 29, 2014

## **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, 2014. We encourage readers to consider this information in conjunction with the additional information that is furnished in the Town's financial statements, which follow.

### **FINANCIAL HIGHLIGHTS**

- At the end of the current fiscal year, total fund balance for the General Fund was \$5,441,906 or 22.16% of total 2014 budgeted revenues. This is an increase of \$327,409 from the prior year total fund balance.
- The total unassigned fund balance of the General Fund is \$5,212,563 or 21.23% of total 2014 budgeted revenues. This is an increase of \$557,210 from the prior year unassigned fund balance.
- The total assigned, committed, restricted or nonspendable fund balance of the General Fund is \$229,343. This is a decrease of \$229,801 from the prior year total assigned, committed, restricted or nonspendable fund balance.
- The Town General Fund ended fiscal year 2014 with a budgetary operating surplus of \$557,016.
- The total bonded debt amount of the Town of Hopkinton decreased by \$162,266.
- As reported in the government wide financial statements, the assets of the Town of Hopkinton exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$10,554,040. The Town's capital asset base has been developed from both current operations and debt. The Town has recorded its property and equipment at original values in order to insure proper asset management.
- The Town's total net position increased by \$394,977 for the fiscal year ended June 30, 2014.

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

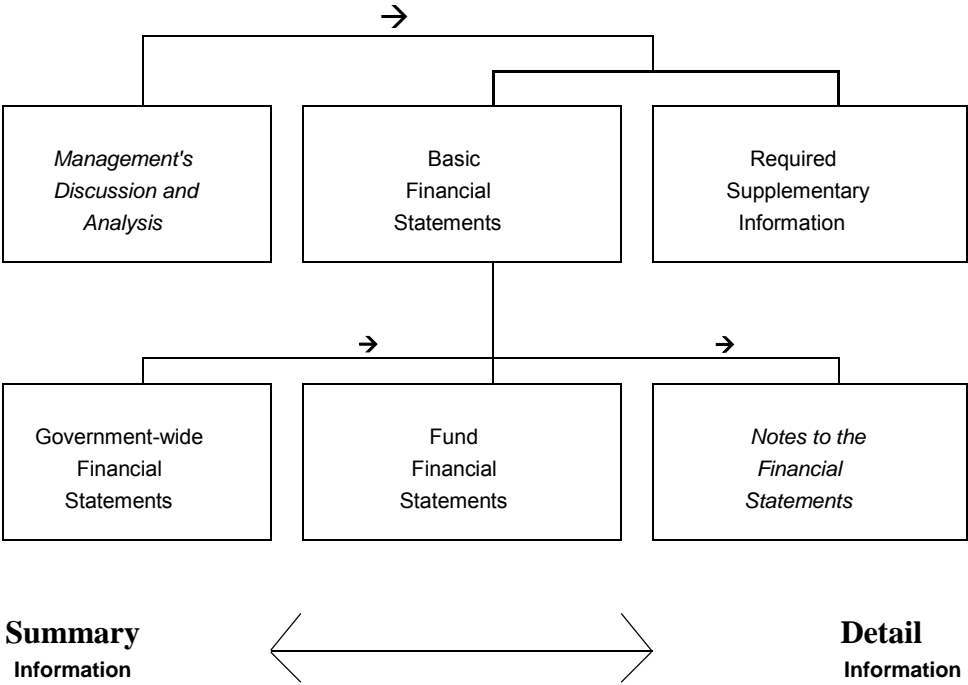
This discussion and analysis is intended to serve as an introduction to the Town's annual audit report. The financial section of this report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and other supplementary 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, the Town has included a section with combining statements that provide details about the Town’s non-major governmental funds, which are added together and presented in a single column in the basic financial statements.

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





**Figure A- 2**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Town had no fiduciary funds as of June 30, 2014.

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Hopkinton, assets exceeded liabilities and deferred inflows of resources by \$10,554,040 as of June 30, 2014.

In regard to the Town's net position (39.8%) 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 POSITION

#### Town of Hopkinton's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2014	2013	2014	2013	2014
Current Assets	\$ 7,280,620	\$ 7,765,741	\$ 85,405	\$ 86,485	\$ 7,366,025	\$ 7,852,226
Capital Assets	<u>4,631,810</u>	<u>4,625,649</u>	<u>317,280</u>	<u>306,878</u>	<u>4,949,090</u>	<u>4,932,527</u>
Total Assets	11,912,430	12,391,390	402,685	393,363	12,315,115	12,784,753
Current Liabilities	579,519	705,769	13,196	11,990	592,715	717,759
Long-term Liabilities	<u>1,539,041</u>	<u>1,480,629</u>	-	-	<u>1,539,041</u>	<u>1,480,629</u>
Total Liabilities	2,118,560	2,186,398	13,196	11,990	2,131,756	2,198,388
Deferred Inflows of Resources	<u>24,296</u>	<u>32,325</u>	-	-	<u>24,296</u>	<u>32,325</u>
Net Position:						
Net investment in capital assets	4,017,295	3,895,550	317,280	306,878	4,334,575	4,202,428
Restricted	279,226	450,103	-	-	279,226	450,103
Unrestricted	<u>5,473,053</u>	<u>5,827,014</u>	<u>72,209</u>	<u>74,495</u>	<u>5,545,262</u>	<u>5,901,509</u>
Total net position	<u>\$ 9,769,574</u>	<u>\$10,172,667</u>	<u>\$ 389,489</u>	<u>\$ 381,373</u>	<u>\$ 10,159,063</u>	<u>\$ 10,554,040</u>

Of the Town's net position, \$450,103 (4.26%) represents resources that are subject to external restriction on how they may be used. Of this amount, \$28,322 is set aside for various capital projects.

### Change in Net Position

The total net position of the Town of Hopkinton increased by \$394,977 during fiscal year 2013-2014.

## 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, 2014.

Governmental activities increased the Town's net position by \$403,093 accounting for the Town's total increase in net position, while business type activities decreased the Town's net position by \$8,116.

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2014	2013	2014	2013	2014
Revenues						
Program						
Charges for services	\$ 775,178	\$ 794,060	\$ 17,457	\$ 21,565	\$ 792,635	\$ 815,625
Operating/Capital grants and contribution	5,994,887	5,867,246			5,994,887	5,867,246
General revenues						
Property taxes	18,367,740	18,306,599			18,367,740	18,306,599
State Aid	213,595	261,809			213,595	261,809
Investment earnings	7,649	9,227	138	111	7,787	9,338
Miscellaneous	636	33,039			636	33,039
Total Revenues	25,359,685	25,271,980	17,595	21,676	25,377,280	25,293,656
Program Expenses						
General government	1,786,499	1,944,744			1,786,499	1,944,744
Recreation	290,856	290,816			290,856	290,816
Public safety	2,342,286	2,380,854			2,342,286	2,380,854
Public works	1,378,223	1,494,277			1,378,223	1,494,277
Social services	233,684	154,681			233,684	154,681
Education	18,489,003	18,524,639			18,489,003	18,524,639
Interest on long-term debt	71,297	78,876			71,297	78,876
Water Fund			23,598	29,792	23,598	29,792
Total Expenses	24,591,848	24,868,887	23,598	29,792	24,615,446	24,898,679
Change in net position	767,837	403,093	(6,003)	(8,116)	761,834	394,977
Net position beginning of year	9,001,737	9,769,574	395,492	389,489	9,397,229	10,159,063
Net position end of year	\$ 9,769,574	\$ 10,172,667	\$ 389,489	\$ 381,373	\$ 10,159,063	\$ 10,554,040

## 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, 2014, the Town's governmental funds reported combined ending fund balances of \$6,915,909. The General Fund reported an unassigned fund balance of \$5,212,563 representing approximately 75.37% of total fund balance.

<b>Restricted/Committed/Assigned</b>	
<b>General fund balance:</b>	
Restricted	\$1,421
Committed	225,584
Assigned	2,338
<b>Total Nonspendable/Restricted/ Committed/Assigned Fund Balance</b>	<b>\$229,343</b>

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

Unrestricted net position of the Hopkinton Water Supply Fund is \$74,495.

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

The Town General Fund shows an operating surplus of \$557,016. The budget was in excess of \$24 million this amount is 2.3% of the budget projections by Town officials. The largest surplus was in the Property Taxes of \$448,467 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 \$4,932,527 net of accumulated depreciation at June 30, 2014. 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

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>
Land & Construct. in Progress	\$ 349,470	\$ 349,470	\$ -	\$ -	\$ 349,470	\$ 349,470
Buildings and improvements	2,083,667	2,035,852	-	-	2,083,667	2,035,852
Motor vehicles	528,981	682,381	-	-	528,981	682,381
Furniture and equipment	110,267	102,193	-	-	110,267	102,193
Infrastructure	1,559,425	1,455,753	317,280	306,878	1,876,705	1,762,631
<b>Total</b>	<b>\$ 4,631,810</b>	<b>\$ 4,625,649</b>	<b>\$ 317,280</b>	<b>\$ 306,878</b>	<b>\$ 4,949,090</b>	<b>\$ 4,932,527</b>

## The Town of Hopkinton Debt Administration

At the end of the current fiscal year, the Town of Hopkinton General Government had a total bonded debt of \$1,481,753.

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

	Gov Activities	Total
Gen Obligation Bonds	\$ 1,481,753	\$ 1,481,753
Capital Leases Payable	216,120	216,120
Amortized Premium on Bond	13,273	13,273
<b>Totals</b>	<b>\$ 1,711,146</b>	<b>\$ 1,711,146</b>

The State of Rhode Island imposes a limit of 3 percent of the fair market value of all taxable town property on the general obligation debt that a municipality can issue. The Town of Hopkinton's limit is \$27,520,937 at year-end. The Town's outstanding general obligation debt subject to the limit is \$1,481,753 at year-end, which is \$26,039,184 under the State imposed limitation.

### Subsequent Fiscal Year 2014-2015 Budget and Tax Rates

The Town of Hopkinton's total general fund budget for fiscal year 14/15 is \$24,552,492, which reflects no increase from the fiscal 13/14 budget. In the Town's 14/15 budget, \$18,271,091 or 74.42% is allocated for educational purposes and \$6,281,401 or 25.58% is budgeted for other purposes.

Of the \$18,271,091 budgeted for educational purposes, the State of Rhode Island has budgeted for fiscal year 14/15 to contribute \$5,614,461 to the Town's education expense and the Town is budgeted to contribute \$12,656,630.

The Town's tax rate for fiscal year 14/15 is \$20.64 per thousand for real estate and tangible personal property and \$21.18 per hundred for motor vehicles. The tax rate for fiscal year 13/14 was \$19.77 per thousand for real estate and tangible personal property and \$21.18 for motor vehicles.

### Request for Information

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

**TOWN OF HOPKINTON, RHODE ISLAND**  
*Statement of Net Position*  
June 30, 2014

	<i>Primary Government</i>			<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>	<i>Land Trust</i>
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 6,517,784	\$ 68,715	\$ 6,586,499	\$ 261,867
Receivables:				
Property taxes, net of allowance for uncollectible accounts	897,257	-	897,257	-
Accounts receivable, user fees -net	-	17,770	17,770	-
Due from federal and state government	149,634	-	149,634	-
Due from primary government	-	-	-	7,694
Other	201,066	-	201,066	-
<b>Total current assets</b>	<b>7,765,741</b>	<b>86,485</b>	<b>7,852,226</b>	<b>269,561</b>
<b>Noncurrent assets:</b>				
Capital assets: (Note 5)				
Land and land rights	349,470	-	349,470	3,069,536
Depreciable buildings, equipment and infrastructure, net	4,276,179	306,878	4,583,057	163,332
<b>Total noncurrent assets</b>	<b>4,625,649</b>	<b>306,878</b>	<b>4,932,527</b>	<b>3,232,868</b>
<b>Total assets</b>	<b>12,391,390</b>	<b>393,363</b>	<b>12,784,753</b>	<b>3,502,429</b>
<b>Liabilities</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued expenses	220,581	11,990	232,571	-
Accrued interest payable	18,714	-	18,714	7,694
Due to component unit	7,694	-	7,694	-
Bond anticipation note payable	-	-	-	700,000
Compensated absences payable	166,898	-	166,898	-
Legal settlement payable	14,391	-	14,391	-
Long-term debt -due within one year (Note 7)	267,991	-	267,991	-
Other liabilities	9,500	-	9,500	-
<b>Total current liabilities</b>	<b>705,769</b>	<b>11,990</b>	<b>717,759</b>	<b>707,694</b>
<b>Noncurrent liabilities</b>				
Compensated absences payable	23,082	-	23,082	-
Legal settlement payable	14,392	-	14,392	-
Long-term debt - due in more than one year (Note 7)	1,443,155	-	1,443,155	-
<b>Total noncurrent liabilities</b>	<b>1,480,629</b>	<b>-</b>	<b>1,480,629</b>	<b>-</b>
<b>Total liabilities</b>	<b>2,186,398</b>	<b>11,990</b>	<b>2,198,388</b>	<b>707,694</b>
<b>Deferred inflows of resources</b>				
Deferred property taxes and other deferred revenues	32,325	-	32,325	-
<b>Total deferred inflows of resources</b>	<b>32,325</b>	<b>-</b>	<b>32,325</b>	<b>-</b>
<b>Net position</b>				
Net investment in capital assets	3,895,550	306,878	4,202,428	2,532,868
Restricted for:				
Community development	186,767	-	186,767	-
Historical records preservation	32,718	-	32,718	-
Public safety programs	187,549	-	187,549	-
Conservation programs	550	-	550	-
Capital projects	28,322	-	28,322	-
Permanent fund:				
Expendable	6,851	-	6,851	-
Nonexpendable	7,346	-	7,346	-
Unrestricted	5,827,014	74,495	5,901,509	261,867
<b>Total net position</b>	<b>\$ 10,172,667</b>	<b>\$ 381,373</b>	<b>\$ 10,554,040</b>	<b>\$ 2,794,735</b>

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



**TOWN OF HOPKINTON, RHODE ISLAND**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</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>		
<b>Primary government:</b>								
<b>Governmental Activities:</b>								
General government	\$ 1,944,744	\$ 412,872	\$ 27,684	\$ 500	\$ (1,503,688)	\$ -	\$ (1,503,688)	\$ -
Public safety	2,380,854	221,581	48,455	150,000	(1,960,818)	-	(1,960,818)	-
Public works	1,494,277	60,679	-	-	(1,433,598)	-	(1,433,598)	-
Recreation	290,816	98,420	-	-	(192,396)	-	(192,396)	-
Public and social services	154,681	508	93,448	31,624	(29,101)	-	(29,101)	-
Education	18,524,639	-	5,515,535	-	(13,009,104)	-	(13,009,104)	-
Debt service, interest	78,876	-	-	-	(78,876)	-	(78,876)	-
<b>Total governmental activities</b>	<b>24,868,887</b>	<b>794,060</b>	<b>5,685,122</b>	<b>182,124</b>	<b>(18,207,581)</b>	<b>-</b>	<b>(18,207,581)</b>	<b>-</b>
<b>Business-Type Activities:</b>								
Water supply	29,792	21,565	-	-	-	(8,227)	(8,227)	-
<b>Total business-type activities</b>	<b>29,792</b>	<b>21,565</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8,227)</b>	<b>(8,227)</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 24,898,679</b>	<b>\$ 815,625</b>	<b>\$ 5,685,122</b>	<b>\$ 182,124</b>	<b>(18,207,581)</b>	<b>(8,227)</b>	<b>(18,215,808)</b>	<b>-</b>
<b>Component Unit:</b>								
Land trust	\$ 24,006	\$ 504	\$ 8,369	\$ 116,947	-	-	-	101,814
<b>General Revenues:</b>								
Property taxes					18,306,599	-	18,306,599	-
State aid and grants not restricted for a specific purpose					261,809	-	261,809	-
Investment earnings					9,227	111	9,338	327
Miscellaneous					33,039	-	33,039	-
<b>Total general revenues</b>					<b>18,610,674</b>	<b>111</b>	<b>18,610,785</b>	<b>327</b>
<b>Change in net position</b>					<b>403,093</b>	<b>(8,116)</b>	<b>394,977</b>	<b>102,141</b>
<b>Net position - beginning of year, restated</b>					<b>9,769,574</b>	<b>389,489</b>	<b>10,159,063</b>	<b>2,692,594</b>
<b>Net position - end of year</b>					<b>\$ 10,172,667</b>	<b>\$ 381,373</b>	<b>\$ 10,554,040</b>	<b>\$ 2,794,735</b>

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

**TOWN OF HOPKINTON, RHODE ISLAND**

*Balance Sheet  
Governmental Funds  
June 30, 2014*

	<u>General Fund</u>	<u>CDBG Microloan Fund</u>	<u>Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash	\$ 4,995,130	\$ 9,398	\$ 952,800	\$ 560,456	\$ 6,517,784
Receivables:					
Property taxes, net of allowance for doubtful accounts of \$201,319	897,257	-	-	-	897,257
Due from federal and state government	123,212	-	-	26,422	149,634
Other	34,863	166,203	-	-	201,066
Due from other funds	173,389	-	-	38,655	212,044
<b>Total assets</b>	<u>\$ 6,223,851</u>	<u>\$ 175,601</u>	<u>\$ 952,800</u>	<u>\$ 625,533</u>	<u>\$ 7,977,785</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable and accrued expenditures	\$ 206,909	\$ -	\$ -	\$ 13,672	\$ 220,581
Due to other funds	121,488	100	-	90,456	212,044
Due to component unit	7,694	-	-	-	7,694
Other liabilities	-	-	-	9,500	9,500
<b>Total liabilities</b>	<u>336,091</u>	<u>100</u>	<u>-</u>	<u>113,628</u>	<u>449,819</u>
<b>Deferred Inflows of Resources</b>					
Deferred property taxes	436,957	-	-	-	436,957
Other deferred revenues	8,897	166,203	-	-	175,100
<b>Total deferred inflows of resources</b>	<u>445,854</u>	<u>166,203</u>	<u>-</u>	<u>-</u>	<u>612,057</u>
<b>Fund balances</b>					
Nonspendable:					
Permanent fund principal	-	-	-	7,346	7,346
Restricted for:					
Community development	-	9,298	-	11,266	20,564
Historical records preservation	-	-	-	32,718	32,718
Public safety programs	1,421	-	-	186,128	187,549
Conservation programs	-	-	-	550	550
Landfill capital projects	-	-	-	20,000	20,000
Recreation capital projects	-	-	-	8,322	8,322
Cemetery perpetual care	-	-	-	6,851	6,851
Committed for:					
Employee relations costs	102,853	-	-	-	102,853
Property revaluation	49,537	-	-	-	49,537
Public works	38,904	-	-	-	38,904
Planning and zoning	32,533	-	-	-	32,533
Conservation	1,757	-	-	-	1,757
Educational capital facilities expansion	-	-	-	147,973	147,973
Capital projects	-	-	952,800	91,309	1,044,109
Assigned for:					
Grant matching	2,338	-	-	-	2,338
Unassigned	5,212,563	-	-	(558)	5,212,005
<b>Total fund balances</b>	<u>5,441,906</u>	<u>9,298</u>	<u>952,800</u>	<u>511,905</u>	<u>6,915,909</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 6,223,851</u>	<u>\$ 175,601</u>	<u>\$ 952,800</u>	<u>\$ 625,533</u>	<u>\$ 7,977,785</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 Position  
June 30, 2014*

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<b><i>Total Fund Balances - Total Governmental Funds</i></b>	\$ 6,915,909
<b><i>Amounts reported for Governmental Activities in the Statement of Net Position are different because:</i></b>	
Capital assets used in Governmental Activities are not current financial resources and, therefore, are not reported in the Governmental Funds Balance Sheet. See Note 5 to the financial statements.	4,625,649
Property taxes are recognized as revenue in the period for which levied in the Government-Wide Financial Statements, but are reported as deferred inflows of resources in Governmental Fund Financial Statements.	413,529
Other accounts receivable and revenues are not available to pay for current period expenditures and, therefore, are deferred inflows of resources in the Governmental Funds Financial Statements.	166,203
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.	(18,714)
Long-term liabilities (including bonds payable, compensated absences, legal settlements, and leases payable) are not due and payable in the current period and, therefore, are not reported in the Governmental Funds Balance Sheet. See Note 7 to the financial statements.	<u>(1,929,909)</u>
<b><i>Net Position - Governmental Activities</i></b>	<u><u>\$ 10,172,667</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, 2014**

	<u>General Fund</u>	<u>CDBG Microloan Fund</u>	<u>Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Property taxes	\$ 18,341,125	\$ -	\$ -	\$ -	\$ 18,341,125
Federal and state grants and aid	5,836,954	-	-	276,361	6,113,315
Charges for services and fees	864,816	4,139	-	29,578	898,533
Private grants and contributions	1,986	-	500	13,254	15,740
Interest on investments	7,211	1	1,141	874	9,227
Other revenues	10,974	-	-	1,966	12,940
<b>Total revenues</b>	<u>25,063,066</u>	<u>4,140</u>	<u>1,641</u>	<u>322,033</u>	<u>25,390,880</u>
<b>Expenditures:</b>					
Current:					
General government	1,873,294	-	-	44,218	1,917,512
Public safety	2,288,231	-	-	112,129	2,400,360
Public works	1,331,495	-	-	190,071	1,521,566
Recreation	262,177	-	-	-	262,177
Public and social services	127,500	-	-	91,088	218,588
Education - payment to school district	18,524,639	-	-	-	18,524,639
Debt service:					
Principal	162,055	-	-	-	162,055
Interest and other charges	76,146	-	-	-	76,146
<b>Total expenditures</b>	<u>24,645,537</u>	<u>-</u>	<u>-</u>	<u>437,506</u>	<u>25,083,043</u>
<b>Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)</b>	<u>417,529</u>	<u>4,140</u>	<u>1,641</u>	<u>(115,473)</u>	<u>307,837</u>
<b>Other financing sources (uses):</b>					
Capital-related debt issued	248,727	-	-	-	248,727
Transfers from other funds	-	-	250,000	88,847	338,847
Transfers to other funds	(338,847)	-	-	-	(338,847)
<b>Total other financing sources (uses)</b>	<u>(90,120)</u>	<u>-</u>	<u>250,000</u>	<u>88,847</u>	<u>248,727</u>
<b>Net change in fund balances</b>	327,409	4,140	251,641	(26,626)	556,564
<b>Fund balances - beginning of year</b>	<u>5,114,497</u>	<u>5,158</u>	<u>701,159</u>	<u>538,531</u>	<u>6,359,345</u>
<b>Fund balances - end of year</b>	<u>\$ 5,441,906</u>	<u>\$ 9,298</u>	<u>\$ 952,800</u>	<u>\$ 511,905</u>	<u>\$ 6,915,909</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, 2014**

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**Net Changes in Fund Balances - Total Governmental Funds** \$ 556,564

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

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

This is the amount of capital assets recorded in the current period. 326,472

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. (332,633)

Long-term compensated absences and legal settlements are reported in the Government-Wide Statement of Activities, but do not require the use of current financial resources. Therefore, compensated absences and legal settlements 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. (14,009)

The following amount represents the change in long-term legal settlements from the prior year. (28,783)

New loans made during the year are reported as expenditures in the Governmental Fund Financial Statements, but increase other receivables in the Government-Wide Statement of Net Position. 32,283

Repayment of bond and lease principal is an expenditure in the Governmental Fund Financial Statements, but the payments reduce long-term liabilities in the Government-Wide Statement of Net Position. 250,916

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. (771)

Proceeds from the issuance of debt are an other financing source in the Governmental Fund Financial Statements, but the issuance of debt increases long-term liabilities in the Government-Wide Statement of Net Position.

This amount represents debt issued during the current period. (248,727)

Debt issued at a premium provide current financial resources to Governmental Funds, but are deferred and amortized in the Government-Wide Financial Statements.

This amount represents the amortization of bond premium during the current period. 781

Revenues reported in prior periods in the Statement of Activities that are not reported in Governmental Funds until the revenues are measurable and available. (139,000)

**Change in Net Position - Governmental Activities** \$ 403,093

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

**TOWN OF HOPKINTON, RHODE ISLAND**  
*Statement of Net Position*  
**Proprietary Funds**  
**June 30, 2014**

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	<u><b>Enterprise Fund</b></u> <u><b>Water Supply</b></u>
<b>Assets</b>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 68,715
Accounts receivable, user fees - net	17,770
<b>Total current assets</b>	<b>86,485</b>
<b>Noncurrent assets</b>	
Depreciable capital assets - net	306,878
<b>Total noncurrent assets</b>	<b>306,878</b>
<b>Total assets</b>	<b>393,363</b>
 <b>Liabilities</b>	
<b>Current liabilities</b>	
Accounts payable and accrued expenses	11,990
<b>Total current liabilities</b>	<b>11,990</b>
<b>Total liabilities</b>	<b>11,990</b>
 <b>Net position</b>	
Net investment in capital assets	306,878
Unrestricted	74,495
<b>Total net position</b>	<b>\$ 381,373</b>

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

**TOWN OF HOPKINTON, RHODE ISLAND**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2014**

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	<u><b>Enterprise Fund</b></u> <u><b>Water Supply</b></u>
<b>Operating revenues</b>	
User fees	\$ 21,565
<b>Total operating revenues</b>	<u>21,565</u>
<b>Operating expenses</b>	
Water purchases	18,990
Contract services	400
Depreciation	10,402
<b>Total operating expenses</b>	<u>29,792</u>
<b>Operating loss</b>	<u>(8,227)</u>
<b>Nonoperating revenues</b>	
Interest income	<u>111</u>
<b>Total nonoperating revenues</b>	<u>111</u>
<b>Change in net position</b>	(8,116)
<b>Total net position - beginning of year</b>	<u>389,489</u>
<b>Total net position - end of year</b>	<u><u>\$ 381,373</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, 2014*

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	<u><i>Enterprise Fund</i></u> <u><i>Water Supply</i></u>
<i>Cash flows from operating activities</i>	
Cash received from customers for user fees	\$ 18,887
Cash paid to suppliers	<u>(20,596)</u>
<i>Net cash used for operating activities</i>	<u>(1,709)</u>
 <i>Cash flows from investing activities</i>	
Interest received	<u>111</u>
<i>Net cash provided by investing activities</i>	<u>111</u>
 <i>Net decrease in cash and cash equivalents</i>	
	(1,598)
 <i>Cash and cash equivalents - beginning of year</i>	
	<u>70,313</u>
 <i>Cash and cash equivalents - end of year</i>	
	<u><u>\$ 68,715</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, 2014*

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	<u><i>Enterprise Fund</i></u> <u><i>Water Supply</i></u>
<i>Reconciliation of operating loss to net cash used for operating activities:</i>	
Operating loss	\$ (8,227)
<i>Adjustments to reconcile operating loss to net cash used for operating activities:</i>	
Depreciation	10,402
Changes in assets and liabilities:	
Increase in accounts receivable, user fees	(2,678)
Decrease in accounts payable and accrued expenses	<u>(1,206)</u>
 <i>Net cash used for operating activities</i>	 <u><u>\$ (1,709)</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, 2014**

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

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

**A. REPORTING ENTITY**

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

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

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

**TOWN OF HOPKINTON, RHODE ISLAND**  
*Notes to Financial Statements*  
**June 30, 2014**

**B. BASIS OF PRESENTATION AND ACCOUNTING**

**Government-Wide Financial Statements**

The Town's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements report information about the reporting entity as a whole. Fiduciary activities of the Town are not included in these statements. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through property taxes, intergovernmental revenue, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services rendered.

The Statement of Activities presents a comparison between direct expenses and program revenue for the business-type activities and for each function of the Town's governmental activities. 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 operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including property taxes and general state aid, are presented as general revenues.

These statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets, infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period earned while expenses are recognized in the period the liability is incurred.

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

**Fund Financial Statements**

The Fund Financial Statements of the Town are organized into funds, each of which is considered to be a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific Town functions or activities. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. Funds are organized into three categories: governmental, proprietary, and fiduciary. Major individual governmental funds and enterprise funds are reported as separate columns in the Fund Financial Statements.

**TOWN OF HOPKINTON, RHODE ISLAND**  
*Notes to Financial Statements*  
**June 30, 2014**

**Governmental Fund Financial Statements**

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide Financial Statements.

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources 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. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally collected 60 days after year-end) are recognized when due. The primary revenue sources which have been treated as susceptible to accrual by the Town are property tax and intergovernmental revenues. Expenditures are recorded in the accounting period in which the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured.

***Major Governmental Funds:***

***General Fund*** – The General Fund is used to account for resources devoted to financing the general services that the Town performs for its citizens and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted or reported in another fund.

***CDBG Microloan Fund*** – The CDBG Microloan Fund is used to account for the Town’s CDBG revolving loan program which is restricted in accordance with grant agreements.

***Capital Project Fund*** – The Capital Project Fund is used to account for funds committed for capital projects at the Financial Town Meeting.

**Proprietary Fund Financial Statements**

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

Proprietary funds are accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or noncurrent) are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period earned while expenses are recognized in the period the liability is incurred.

**TOWN OF HOPKINTON, RHODE ISLAND**  
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Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

For the year ended June 30, 2014, the Town had one proprietary fund, the Water Supply Fund, which is a major fund:

**Water Supply 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, 2014, the Town had no fiduciary funds.

### **C. RECENTLY ISSUED ACCOUNTING STANDARDS**

The Town has implemented the following new accounting pronouncements:

- GASB Statement No. 65 - Items Previously Reported as Assets and Liabilities, effective for the Town's fiscal year ending June 30, 2014.
- GASB Statement No. 66 - Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62, effective for the Town's fiscal year ending June 30, 2014.
- GASB Statement No. 67 - Financial Reporting for Pensions Plans - an amendment of GASB Statement No. 25, effective for the Town's fiscal year ending June 30, 2014.
- GASB Statement No. 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees, effective for the Town's fiscal year ending June 30, 2014.

The adoption of these Statements did not have an impact on the Town's financial position or results of operations, except as follows:

The implementation of GASB Statement No. 65 - Items Previously Reported as Assets and Liabilities resulted in restatements of net position in the Governmental Activities to remove debt issuance costs previously reported as other assets.

The Town will adopt the following new accounting pronouncements in future years:

- GASB Statement No. 68 – Financial Reporting for Pensions - an amendment of GASB Statement No. 27, effective for the Town's fiscal year ending June 30, 2015.
- GASB Statement No. 69 – Government Combinations and Disposals of Government Operations, effective for the Town's fiscal year ending June 30, 2015.

**TOWN OF HOPKINTON, RHODE ISLAND**  
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- GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date, effective for the Town’s fiscal year ending June 30, 2015.

The impact of these pronouncements on the Town's financial statements has not been determined.

***D. CASH EQUIVALENTS***

The Town considers cash and cash equivalents in the Proprietary Funds to include cash on hand, time and demand deposits, and short-term investments maturing within three months from the date of acquisition.

***E. INVESTMENTS***

The Town reports investments at fair value.

***F. ACCOUNTS RECEIVABLE AND TAXES RECEIVABLE***

Accounts receivable and taxes receivable are shown net of an allowance for uncollectible accounts. The allowances are calculated based on the age of the individual receivables.

Property taxes which were levied on June 17, 2013 for the current year and other delinquent balances are recorded as receivables.

***G. UNBILLED SERVICES RECEIVABLE***

Water revenue is recorded when earned. Customers are billed twice a year. The estimated value of services provided, but unbilled at year-end has been included in the accompanying financial statements.

***H. CAPITAL ASSETS AND DEPRECIATION***

Capital assets are reported in the Government-Wide Statement of Net Position.

In the Fund Financial Statements, capital assets used in governmental fund activities are accounted for as capital expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for in the same manner as in the Government-Wide Financial Statements.

All capital assets are recorded at cost (or estimated historical cost). Donated capital assets are recorded at estimated fair market values as of the date received. The Town follows the policy of not capitalizing assets with a cost of less than \$10,000 and a useful life of less than 1 year. The Town retroactively adjusted for infrastructure assets in fiscal year 2007.

**TOWN OF HOPKINTON, RHODE ISLAND**  
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Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Useful Lives</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

**I. DEBT PREMIUMS**

In the Governmental Fund Financial Statements, debt premiums are reported as an “other financing source”. In the Government-Wide Statements, debt premiums 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.

**J. DEFERRED INFLOWS OF RESOURCES**

In the Governmental Fund Financial Statements, deferred inflows of resources is reported for receivables recorded in the Governmental Fund Financial Statements for which the revenue is not available or amounts received before the period for which property taxes are levied. In the Government-Wide Financial Statements, deferred inflows of resources is reported for amounts received before the period for which property taxes are levied.

**K. PROPERTY TAXES**

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

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

**L. 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, 2014.

**TOWN OF HOPKINTON, RHODE ISLAND**  
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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.

**M. ACCRUED LIABILITIES AND LONG-TERM DEBT**

All accrued liabilities and long-term debt are reported in the Government-Wide Financial Statements.

For Governmental Fund Financial Statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date regardless of whether they will be liquidated with current financial resources. However, claims and judgments and compensated absences paid from governmental funds are reported as a liability in the Governmental Fund Financial Statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from governmental funds is not recognized as a liability in the Governmental Fund Financial Statements until due.

**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 \$27,520,937. As of June 30, 2014, the Town's debt subject to the legal debt margin is \$1,481,753 and the Town is under the debt limit by \$26,039,184. The debt subject to the debt limitation is based on the type of debt that is issued.

**B. DEFICIT FUND BALANCES**

The following nonmajor funds have deficit fund balances as of June 30, 2014: Police Capital Fund - \$(558).

**NOTE 3 – CASH DEPOSITS**

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



**TOWN OF HOPKINTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2014**

	<u><b>Carrying Amount</b></u>
Total Deposits	\$6,847,222
Add: Petty cash and cash on hand	1,144
<b>Total Cash and Cash Equivalents</b>	<b>1,144</b>
<b>Reported in the Financial Statements</b>	<b>\$6,848,366</b>

**CUSTODIAL CREDIT RISK** – custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town does not have a formal deposit policy for custodial credit risk. As of June 30, 2014, \$5,925,484 of the Town’s bank balance of \$6,880,283 was exposed to custodial credit risk as follows:

	<u><b>Bank Balance</b></u>
Insured (Federal depository insurance funds)	\$ 954,799
Collateralized with securities held by pledging financial institution’s agent, but not in the Town’s name	1,906,796
Uninsured and uncollateralized	4,018,688
<b>Total</b>	<b>\$6,880,283</b>

Under Rhode Island general laws, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall at a minimum, insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits, which are time deposits with maturities greater than sixty (60) days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits, regardless of maturity. At June 30, 2014, the Town's uncollateralized deposits with institutions were \$4,018,688. 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, 2014. 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, 2014**

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June, 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Nondepreciable assets:				
Land	\$ 349,470	\$ -	\$ -	\$ 349,470
	<u>349,470</u>	<u>-</u>	<u>-</u>	<u>349,470</u>
Depreciable assets:				
Infrastructure	21,960,083	-	-	21,960,083
Buildings and improvements	3,828,785	31,624	-	3,860,409
Furniture and equipment	724,420	9,350	-	733,770
Motor vehicles	1,360,320	285,498	40,460	1,605,358
	<u>27,873,608</u>	<u>326,472</u>	<u>40,460</u>	<u>28,159,620</u>
<b>Total Capital Assets</b>	<u>28,223,078</u>	<u>326,472</u>	<u>40,460</u>	<u>28,509,090</u>
Less accumulated depreciation for:				
Infrastructure	20,400,658	103,672	-	20,504,330
Buildings and improvements	1,745,118	79,439	-	1,824,557
Furniture and equipment	614,153	17,424	-	631,577
Motor vehicles	831,339	132,098	40,460	922,977
	<u>23,591,268</u>	<u>332,633</u>	<u>40,460</u>	<u>23,883,441</u>
<b>Total Accumulated Depreciation</b>	<u>23,591,268</u>	<u>332,633</u>	<u>40,460</u>	<u>23,883,441</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 4,631,810</u>	<u>\$ (6,161)</u>	<u>\$ -</u>	<u>\$ 4,625,649</u>
<b>Business-Type Activities:</b>				
Depreciable assets:				
Water lines	\$ 520,092	\$ -	\$ -	\$ 520,092
	<u>520,092</u>	<u>-</u>	<u>-</u>	<u>520,092</u>
<b>Total Capital Assets</b>	<u>520,092</u>	<u>-</u>	<u>-</u>	<u>520,092</u>
Less accumulated depreciation for:				
Water lines	202,812	10,402	-	213,214
	<u>202,812</u>	<u>10,402</u>	<u>-</u>	<u>213,214</u>
<b>Total Accumulated Depreciation</b>	<u>202,812</u>	<u>10,402</u>	<u>-</u>	<u>213,214</u>
<b>Business-Type Activities Capital Assets, Net</b>	<u>\$ 317,280</u>	<u>\$ (10,402)</u>	<u>\$ -</u>	<u>\$ 306,878</u>
<b>Capital asset activity for the Land Trust</b>				
<b>for the year ended June 30, 2014 is as follows:</b>				
Nondepreciable assets:				
Land and land rights	\$ 2,924,536	\$ 145,000	\$ -	\$ 3,069,536
Construction in progress	19,275	19,437	38,712	-
	<u>2,943,811</u>	<u>164,437</u>	<u>38,712</u>	<u>3,069,536</u>
Depreciable assets:				
Bridges	-	149,652	-	149,652
Improvements other than buildings	33,000	-	-	33,000
	<u>33,000</u>	<u>149,652</u>	<u>-</u>	<u>182,652</u>
<b>Total Capital Assets</b>	<u>2,976,811</u>	<u>314,089</u>	<u>38,712</u>	<u>3,252,188</u>
Less accumulated depreciation for:				
Bridges	-	1,995	-	1,995
Improvements other than buildings	15,675	1,650	-	17,325
	<u>15,675</u>	<u>3,645</u>	<u>-</u>	<u>19,320</u>
<b>Total Accumulated Depreciation</b>	<u>15,675</u>	<u>3,645</u>	<u>-</u>	<u>19,320</u>
<b>Land Trust Capital Assets, Net</b>	<u>\$ 2,961,136</u>	<u>\$ 310,444</u>	<u>\$ 38,712</u>	<u>\$ 3,232,868</u>

**TOWN OF HOPKINTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2014**

Depreciation expense was charged as follows:

Governmental activities:	
General government	\$ 24,868
Public safety	91,915
Public works	184,805
Recreation	31,045
<b>Total Depreciation Expense, Governmental Activities</b>	<u><u>\$ 332,633</u></u>

**NOTE 6 – SHORT-TERM DEBT**

The Town issued a bond anticipation note depositing the proceeds to the Land Trust. Short-term debt activity for the year ended June 30, 2014 is as follows:

<u>Component Unit</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Bond anticipation note	\$0	\$700,000	\$0	\$700,000

**NOTE 7 – LONG-TERM LIABILITIES**

**A. LONG-TERM LIABILITIES:**

Changes in long-term liabilities during the year ended June 30, 2014 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
<b>Bonds and capital leases payable:</b>					
General obligation bonds payable	\$1,644,019	\$ -	\$ 162,266	\$1,481,753	\$ 164,575
Capital leases	56,044	248,727	88,651	216,120	103,416
Plus: amortized premium on bond	14,054	-	781	13,273	-
<b>Total bonds and capital leases</b>	<u>1,714,117</u>	<u>248,727</u>	<u>251,698</u>	<u>1,711,146</u>	<u>267,991</u>
<b>Other liabilities:</b>					
Accrued compensated absences	175,970	42,834	28,824	189,980	166,898
Legal settlements payable	-	28,783	-	28,783	14,391
<b>Total Governmental Activities</b>					
<b>Long-Term Liabilities</b>	<u><u>\$1,890,087</u></u>	<u><u>\$ 320,344</u></u>	<u><u>\$ 280,522</u></u>	<u><u>\$1,929,909</u></u>	<u><u>\$ 449,280</u></u>

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

**TOWN OF HOPKINTON, RHODE ISLAND**  
*Notes to Financial Statements*  
 June 30, 2014

**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, 2013</u>	<u>New Issues</u>	<u>Maturities During Year</u>	<u>Outstanding June 30, 2014</u>
Rhode Island Clean Water Finance Agency	6/29/1994	3.04%	9/1/2014	\$ 1,346,179	\$ 135,548	\$ -	\$ 67,774	\$ 67,774
Police Station Fund: Dime Savings Bank	4/25/2003	5.00%	5/1/2023	900,000	558,471	-	44,492	513,979
Open Space	7/21/2011	2.5-4.375%	8/15/2031	1,000,000	950,000	-	50,000	900,000
<b>Total governmental activities bonds payable</b>					<b>\$ 1,644,019</b>	<b>\$ -</b>	<b>\$ 162,266</b>	<b>\$ 1,481,753</b>

At June 30, 2014 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>
2015	\$ 164,575	\$ 59,429	\$ 224,004
2016	99,168	54,489	153,657
2017	101,781	50,502	152,283
2018	104,467	46,315	150,782
2019	107,294	41,988	149,282
2020-2024	504,468	139,114	643,582
2025-2029	250,000	60,156	310,156
2030-2032	150,000	9,844	159,844
	<u>\$ 1,481,753</u>	<u>\$ 461,837</u>	<u>\$ 1,943,590</u>

**TOWN OF HOPKINTON, RHODE ISLAND**  
*Notes to Financial Statements*  
**June 30, 2014**

**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, 2013</u>	<u>New Issues</u>	<u>Retirements During Year</u>	<u>Outstanding June 30, 2014</u>
Police vehicle	11/3/2011	6.50%	11/3/2013	\$ 29,760	\$ 9,907	\$ -	\$ 9,907	\$ -
Police vehicle	4/4/2013	5.00%	4/4/2015	70,950	46,137	-	22,506	23,631
Police vehicle	10/8/2013	6.00%	10/8/2015	73,542	-	73,542	25,956	47,586
Street sweeper	4/21/2014	2.97%	10/21/2016	175,185	-	175,185	30,282	144,903
<b>Total governmental activities capital leases</b>					<b>\$ 56,044</b>	<b>\$ 248,727</b>	<b>\$ 88,651</b>	<b>\$ 216,120</b>

Obligations of governmental activities under capital leases at June 30, 2014 were as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Lease Payment Requirements</u>
2015	\$ 111,332
2016	86,520
2017	30,282
Total minimum lease payments	228,134
Less: Amount representing interest cost	(12,014)
Present value of minimum lease payments	<u>\$ 216,120</u>

Equipment and vehicles are reported in the Statement of Net Position at a cost of \$349,437. Amortization of assets acquired under capital leases is included in depreciation expense for the year ended June 30, 2014.

**TOWN OF HOPKINTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 8 – INTERFUND BALANCES**

The Town reports interfund balances between many of its funds. Interfund balances at June 30, 2014 were as follows:

	<i>Due From:</i>			<i>Total</i>
	<i>General Fund</i>	<i>CDBG Microloan Fund</i>	<i>Nonmajor Governmental Funds</i>	
<i>Due To:</i>				
General Fund	\$ 82,833	\$ 100	\$ 90,456	\$ 173,389
Nonmajor Governmental Funds	38,655	-	-	38,655
<b>Total</b>	<b>\$ 121,488</b>	<b>\$ 100</b>	<b>\$ 90,456</b>	<b>\$ 212,044</b>

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

**NOTE 9 – INTERFUND TRANSFERS**

	<i>Transfer From:</i>	
	<i>General Fund</i>	<i>Total</i>
<i>Transfer To:</i>		
Capital Project Fund	\$ 250,000	\$ 250,000
Nonmajor Governmental Funds	88,847	88,847
<b>Total</b>	<b>\$ 338,847</b>	<b>\$ 338,847</b>

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

**NOTE 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 \$201,319. The accounts receivable-user fees include an allowance for doubtful accounts of \$1,000.

**TOWN OF HOPKINTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2014**

**B. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The accounts payable and accrued liabilities at June 30, 2014, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:				
General Fund	\$ 75,058	\$ 124,460	\$ 7,391	\$ 206,909
Nonmajor Governmental Funds	13,672	-	-	13,672
<b>Total Governmental Activities</b>	<u>\$ 88,730</u>	<u>\$ 124,460</u>	<u>\$ 7,391</u>	<u>\$ 220,581</u>
Business-Type Activities:				
Water Supply	\$ 11,990	\$ -	\$ -	\$ 11,990
<b>Total Business-Type Activities</b>	<u>\$ 11,990</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,990</u>

**NOTE 11 – FUND EQUITY**

**Government-Wide Financial Statements:**

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

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

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

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

**Fund Statements:**

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

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

**TOWN OF HOPKINTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2014**

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

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

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

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

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

**NOTE 12 – CHARIHO REGIONAL SCHOOL DISTRICT**

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

**NOTE 13 – 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 OF HOPKINTON, RHODE ISLAND**  
*Notes to Financial Statements*  
**June 30, 2014**

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, 2014.

**NOTE 14 – 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 15 – OPERATING LEASES**

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

<u><i>Year Ending June 30,</i></u>	
2015	\$12,835
2016	3,209
	<u>\$16,044</u>

**NOTE 16 – SUBSEQUENT EVENT**

On October 2, 2014, the Town issued a bond anticipation note in the amount of \$700,000. The note matures on April 1, 2015 and bears interest of 1.49%.

**TOWN OF HOPKINTON, RHODE ISLAND**  
*Notes to Financial Statements*  
**June 30, 2014**

**NOTE 17 – PENSION PLAN**

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

Effective July 1, 2012, the Municipal Employees' Retirement System (MERS) was modified to include both defined benefit and defined contribution plan components. General employees participate in a hybrid plan that combines both a defined benefit plan and a defined contribution plan. Police and fire employees participate only in the defined benefit plan unless they do not participate in Social Security in which case they also participate in the defined contribution plan.

**Defined Benefit Plan**

***Plan Description***

All full-time Town of Hopkinton employees participate in MERS, an agent multiple-employer defined benefit plan administered by the Employees' Retirement System of Rhode Island (the System). The plan provides retirement, death and disability benefits and an optional cost of living adjustment (COLA) as outlined in Chapter 45-21 and Chapter 45-21.2 of the Rhode Island General Laws (RIGL). The benefits may be amended by the Rhode Island General Assembly.

***General Employees Retirement Eligibility and Plan Benefits*** – Service credits accrued at June 30, 2012 are protected under the Rhode Island Retirement Security Act. Beginning July 1, 2012, members receive a benefit accrual of 1.0% per year. Effective July 1, 2012 the retirement age mirrors the Social Security Normal Retirement Age not to exceed age 67. Benefits are based on the five-year average compensation multiplied by the accumulated service credit percentage. Joint and survivor retirement benefit options are available.

***Police Retirement Eligibility and Plan Benefits*** – Effective July 1, 2012 the benefit accrual for all plans is 2.0% per year based on the five-year average compensation, exclusive of overtime. Retirement age is 55 years old with 25 years of total service or for members with five years of service but less than 25 years of service the new retirement age will mirror the Social Security Normal Retirement Age not to exceed 67. Police officers who were at least 45 years old, had 10 or more years of contributing service and were eligible to retire prior to age 52 under the law in effect on June 30, 2012, may retire at age 52. Police employees may retire with a reduced pension benefit if they have 20 years of service and are within five years of their retirement eligibility. The actuarially reduced benefit is calculated based on how close the member is to the eligibility date that is prescribed in the Rhode Island Retirement Security Act. Joint and survivor retirement benefit options are available.

***Cost of Living Adjustments*** – Pursuant to the Rhode Island Retirement Security Act, the Cost of Living Adjustment (COLA) has been suspended for any unit whose funding level is less than 80%. The COLA provision can be reviewed in a five-year interval. When the funding level of a plan exceeds 80%, eligible retirees may receive a COLA annually effective on their date of retirement plus one month. The COLA will be calculated as the five (5) year smoothed investment rate of return less 5.50%, with a 0.00% floor and a 4.00% cap. COLA will be delayed until the later of age 55 or three years after retirement. The COLA will be applied to the first \$25,000 of benefits indexed annually.

**TOWN OF HOPKINTON, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2014**

**Disability retirement provisions** – The plan also provides nonservice-connected disability benefits after 5 years of service and service-connected disability pensions with no minimum service requirement.

**Funding Policy**

The funding policy is outlined in RIGL sections 45-21-41, 45-21-42, 45-21-52, and 45-21.2-14 (which can be amended by the Rhode Island General Assembly). Active general employees must contribute 2% of his/her compensation. Active police members must contribute 8% of his/her compensation. The Town is required to contribute at an actuarially determined rate expressed as a percentage of total compensation paid to the active membership. The rates for fiscal year 2014 were as follows: general employees 5.77% and police 14.67%.

**Annual Pension Cost**

The Town’s annual pension cost of \$225,688 for MERS was equal to the Town’s required and actual contributions.

**Three-Year Trend Information**

**GENERAL MUNICIPAL EMPLOYEES**

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2012	\$75,444	100%	\$ -
2013	\$96,107	100%	\$ -
2014	\$96,414	100%	\$ -

**POLICE OFFICERS**

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2012	\$216,043	100%	\$ -
2013	\$114,202	100%	\$ -
2014	\$129,274	100%	\$ -

The required contribution for fiscal 2014 was determined as part of the actuarial valuation performed as of June 30, 2011. The most recent valuation of the plans within the system was performed as of June 30, 2013. The actuarial methods and assumptions used in those valuations are summarized in the following table.

**TOWN OF HOPKINTON, RHODE ISLAND**  
*Notes to Financial Statements*  
**June 30, 2014**

**Summary of Actuarial Assumptions Used in the MERS**  
**June 30, 2011 and June 30, 2013 Valuations**

<b>Actuarial Cost Method</b>	Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used.	
<b>Amortization Method</b>	Level Percent of Payroll – Closed	
<b>Equivalent Single Remaining Amortization Period</b>	24 years as of June 30, 2011 22 years as of June 30, 2013	
<b>Asset Valuation Method</b>	5 Year Smoothed Market	
<b>Actuarial Assumptions:</b>		
<b>Investment Rate of Return</b>	7.50%	
<b>Projected Salary Increases</b>	<u>General Employees</u> 4.00% to 8.00%	<u>Police &amp; Fire Employees</u> 4.25% to 14.25%
<b>Inflation</b>	2.75%	

Cost of Living Adjustments are equal to the average five-year fund asset performance (percent) greater than 5.5% up to a maximum of 4% - the COLA is to be applied to the first \$25,000 of benefits, indexed over time. COLA is delayed until the later of Social Security eligibility age or 3 years after retirement. For MERS Police and Fire, COLA is delayed until the later of age 55 or 3 years after retirement. A 2% COLA is assumed after July 1, 2012. It is known the COLA for calendar years 2013 and 2014 will be 0% and 0.67% respectively, and this is reflected in the June 30, 2013 valuation.

***Funded Status and Funding Progress***

The schedule of funding progress, presented as required supplementary information 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 for benefits.

<i>Actuarial Valuation Date June 30, 2013</i>	<i>Actuarial Value of Assets (a)</i>	<i>Actuarial Liability (AAL) – Entry Age (b)</i>	<i>Unfunded AAL UAAL/ (Funding Excess) (b-a)</i>	<i>Funded Ratio (a/b)</i>	<i>Covered Payroll (c)</i>	<i>UAAL/ (Funding Excess) as a Percentage of Covered Payroll ((b-a)/c)</i>
General						
Employees	\$4,587,223	\$3,902,618	\$(684,605)	117.5%	\$1,609,922	(42.5%)
Police	\$5,079,933	\$7,489,126	\$2,409,193	67.8%	\$871,497	276.4%

**TOWN OF HOPKINTON, RHODE ISLAND**  
*Notes to Financial Statements*  
**June 30, 2014**

**Defined Contribution Plan**

***Plan Description***

General employees participating in the defined benefit plan, as described above, also participate in a defined contribution plan of the Employees' Retirement System as authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF and the Employees' Retirement System of Rhode Island (the System). Employees may choose among various investment options available to plan participants.

Employee contributions are immediately vested while employer contributions are vested after three years of contributory service. Contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

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

***Funding Policy***

The funding policy is outlined in RIGL chapter 36-10.3 (which can be amended by the Rhode Island General Assembly). Active general employees must contribute 5% of his/her compensation and the Town is required to contribute 1%. The plan members and Town contributed \$83,547 and \$16,710, respectively, during the fiscal year ended June 30, 2014.

The System issues an annual financial report that includes financial statements and required supplementary information for all of the plans it administers. The reports can be obtained at [www.ersri.org](http://www.ersri.org).

**NOTE 18 – RESTATEMENTS**

The following restatements were recorded to beginning net position in the Governmental Activities Financial Statements:

	<b><i>Governmental Activities</i></b>
Net position - June 30, 2013 as previously reported	\$9,796,942
Remove debt issuance costs	<u>(27,368)</u>
<b><i>Net position - June 30, 2013 as restated</i></b>	<b><u><u>\$9,769,574</u></u></b>

**TOWN OF HOPKINTON, RHODE ISLAND**

**Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2014**

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	<b>Original/ Final Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Property taxes	\$ 17,892,658	\$ 18,341,125	\$ 448,467
Federal and state grants and aid	6,020,716	5,828,062	(192,654)
Charges for services	633,118	864,816	231,698
Interest on investments	3,500	6,635	3,135
Other revenue	2,500	10,974	8,474
<b>Total revenues</b>	<u>24,552,492</u>	<u>25,051,612</u>	<u>499,120</u>
<b>Expenditures</b>			
Current:			
General government	1,693,558	1,726,244	(32,686)
Public safety	2,130,466	2,206,878	(76,412)
Public works	1,125,589	1,156,310	(30,721)
Recreation	250,889	262,177	(11,288)
Public and social services	127,500	127,500	-
Education	18,524,639	18,524,639	-
Debt service	270,775	238,201	32,574
<b>Total expenditures</b>	<u>24,123,416</u>	<u>24,241,949</u>	<u>(118,533)</u>
<b>Excess of revenues over expenditures before other financing uses</b>	<u>429,076</u>	<u>809,663</u>	<u>380,587</u>
<b>Other financing uses</b>			
Transfers to other funds	(429,076)	(252,647)	176,429
<b>Total other financing uses</b>	<u>(429,076)</u>	<u>(252,647)</u>	<u>176,429</u>
<b>Excess of revenues over expenditures and other financing uses, budgetary basis</b>	<u>\$ -</u>	<u>\$ 557,016</u>	<u>\$ 557,016</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"**

	<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL) -Entry Age</i>	<i>Unfunded Liability/ (Funding Excess)</i>	<i>Funded Ratio</i>	<i>Covered Payroll</i>	<i>Unfunded Liability/ (Funding Excess) as a Percentage of Covered Payroll</i>
<b><i>Police Officers Pension Plan: (1) (2)</i></b>							
	6/30/11	\$4,285,562	\$5,356,891	\$1,071,329	80.0%	\$846,825	126.5%
	6/30/12	\$4,760,429	\$6,592,207	\$1,831,778	72.2%	\$896,032	204.4%
	6/30/13	\$5,079,933	\$7,489,126	\$2,409,193	67.8%	\$871,497	276.4%
<b><i>General Municipal Employees Pension Plan: (1) (2)</i></b>							
	6/30/11	\$4,251,655	\$3,789,136	(\$462,519)	112.2%	\$1,544,552	(29.9%)
	6/30/12	\$ 4,374,065	\$ 3,855,774	(\$518,291)	113.4%	\$ 1,546,023	(33.5%)
	6/30/13	\$ 4,587,223	\$ 3,902,618	(\$684,605)	117.5%	\$ 1,609,922	(42.5%)

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

(2) The assumptions used in the June 30, 2012 actuarial valuation are consistent with the 2011 valuation, with the exception of certain assumption changes that resulted from the enactment of the RI Retirement Security Act of 2011.

**TOWN OF HOPKINTON, RHODE ISLAND**  
*Notes to Required Supplementary Information*  
 June 30, 2014

**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	6/30/2013	6/30/2013
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 22 years remaining as of valuation date	25 year period from June 30, 2010 or 22 years remaining as of valuation date
Asset valuation method	Market value of assets with a 5-year phase-in of actual investment return in excess of (less than) expected investment income	Market value of assets with a 5-year phase-in of actual investment return in excess of (less than) expected investment income
Actuarial assumptions:		
Investment rate of return	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	Active employees 36 Retirees and beneficiaries 14 <hr style="width: 50%; margin: 0 auto;"/> 50	Active employees 15 Retirees and beneficiaries 13 <hr style="width: 50%; margin: 0 auto;"/> 28



**TOWN OF HOPKINTON, RHODE ISLAND**  
**Notes to Required Supplementary Information**  
**June 30, 2014**

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

The Town has formally established budgetary accounting control for its General Fund. It is the responsibility of the Town Manager together with the Finance Director’s recommendation to submit to the Town Council and make available to the general public a proposed General Fund budget for the fiscal year. The Town Council may then revise and adopt a recommended General Fund budget. A public hearing is conducted on the recommended General Fund Budget and the final recommended budget is approved by the voters and legally enacted at the Annual Financial Town Meeting. The General Fund operating budget is supported by revenue estimates and take into account the elimination of accumulated deficits and the re-appropriation of accumulated surpluses to the extent necessary. The budget approved and adopted at the Annual Financial Town Meeting reports the amount budgeted for each department, including the Regional School District, therefore, the legal level of control for the General Fund is at the departmental level. Amendments that would change the total appropriation must be approved by the voters and Town Council at a Financial Town Meeting. There were no supplemental budgetary appropriations in fiscal year 2014. Appropriations which are not expended or encumbered lapse at year end. The CDBG Microloan Fund is not legally required to adopt a budget.

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

	<b><i>General Fund</i></b>
<b><u>Revenues and Other Financing Sources</u></b>	
Revenues and other financing sources – budgetary basis	\$25,051,612
Unbudgeted revenues not included in budgetary revenues, but included for financial reporting purposes.	11,454
Capital-related debt proceeds not budgeted.	248,727
	<b>\$25,311,793</b>
<b><i>Total revenues and other financing sources as reported in the statement of revenues, expenditures and changes in fund balances – governmental funds – gaap basis</i></b>	<b>\$25,311,793</b>
<b><u>Expenditures and Other Financing Uses</u></b>	
Expenditures and other financing uses – budgetary basis	\$24,494,596
Unbudgeted expenditures not included in budgetary expenditures, but included for financial reporting purposes.	154,861
Capital lease expenditures not budgeted.	248,727
Budgeted transfer included for budgetary purposes, but not for financial reporting purposes.	86,200
	<b>\$24,984,384</b>
<b><i>Total expenditures and other financing uses as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds – gaap basis</i></b>	<b>\$24,984,384</b>

**TOWN OF HOPKINTON, RHODE ISLAND**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2014**

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	<i>Special Revenue Funds</i>	<i>Capital Project Funds</i>	<i>Permanent Funds</i>	<i>Total Nonmajor Governmental Funds</i>
<b>ASSETS</b>				
Cash	\$ 364,706	\$ 181,553	\$ 14,197	\$ 560,456
Due from federal and state government	26,422	-	-	26,422
Due from other funds	14,401	24,254	-	38,655
<b>Total assets</b>	<b>\$ 405,529</b>	<b>\$ 205,807</b>	<b>\$ 14,197</b>	<b>\$ 625,533</b>
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable and accrued expenditures	\$ 13,672	\$ -	\$ -	\$ 13,672
Due to other funds	13,222	77,234	-	90,456
Other liabilities	-	9,500	-	9,500
<b>Total liabilities</b>	<b>26,894</b>	<b>86,734</b>	<b>-</b>	<b>113,628</b>
 <b>Fund balances</b>				
Nonspendable - permanent fund principal	-	-	7,346	7,346
Restricted	230,662	28,322	6,851	265,835
Committed	147,973	91,309	-	239,282
Unassigned	-	(558)	-	(558)
<b>Total fund balances</b>	<b>378,635</b>	<b>119,073</b>	<b>14,197</b>	<b>511,905</b>
<b>Total liabilities and fund balances</b>	<b>\$ 405,529</b>	<b>\$ 205,807</b>	<b>\$ 14,197</b>	<b>\$ 625,533</b>

**TOWN OF HOPKINTON, RHODE ISLAND**  
*Combining Statement of Revenues, Expenditures and Changes in Fund Balances*  
**Nonmajor Governmental Funds**  
*For the Fiscal Year Ended June 30, 2014*

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenues</b>				
Federal and state grants and aid	\$ 276,361	\$ -	\$ -	\$ 276,361
Charges for services and fees	29,578	-	-	29,578
Private grants and contributions	13,254	-	-	13,254
Interest on investments	350	510	14	874
Other revenues	1,900	-	66	1,966
<b>Total revenues</b>	<u>321,443</u>	<u>510</u>	<u>80</u>	<u>322,033</u>
<b>Expenditures</b>				
Current:				
General government	19,034	25,184	-	44,218
Public safety	50,809	61,320	-	112,129
Public works	-	190,071	-	190,071
Public and social services	91,088	-	-	91,088
<b>Total expenditures</b>	<u>160,931</u>	<u>276,575</u>	<u>-</u>	<u>437,506</u>
<b>Excess (deficiency) of revenues over (under) expenditures before other financing sources</b>	<u>160,512</u>	<u>(276,065)</u>	<u>80</u>	<u>(115,473)</u>
<b>Other financing sources</b>				
Transfers from other funds	-	88,847	-	88,847
<b>Total other financing sources</b>	<u>-</u>	<u>88,847</u>	<u>-</u>	<u>88,847</u>
<b>Net change in fund balances</b>	160,512	(187,218)	80	(26,626)
<b>Fund balances - beginning of year</b>	<u>218,123</u>	<u>306,291</u>	<u>14,117</u>	<u>538,531</u>
<b>Fund balances - end of year</b>	<u>\$ 378,635</u>	<u>\$ 119,073</u>	<u>\$ 14,197</u>	<u>\$ 511,905</u>

**TOWN OF HOPKINTON, RHODE ISLAND**  
**Tax Collector's Annual Report**  
**For the Fiscal Year Ended June 30, 2014**

**Real Estate and Personal Property Taxes**

<b><u>Tax Year</u></b>	<b><u>Balance June 30, 2013</u></b>	<b><u>Current year Assessment</u></b>	<b><u>Refunds</u></b>	<b><u>Abatements/ Adjustments</u></b>	<b><u>Amount to be Collected</u></b>	<b><u>Current Year Collections</u></b>	<b><u>Balance June 30, 2014</u></b>
2013	\$ -	\$ 18,228,200	\$15,029	\$ (10,803)	\$ 18,232,426	\$ 17,517,958	\$ 714,468
2012	731,520	-	8,429	12,806	752,755	643,667	109,088
2011	113,650	-	-	(360)	113,290	39,589	73,701
2010	55,827	-	1,002	(405)	56,424	9,767	46,657
2009	26,561	-	-	(17)	26,544	2,843	23,701
2008	31,615	-	-	(8)	31,607	2,172	29,435
2007	22,761	-	-	(3)	22,758	664	22,094
2006	21,270	-	-	(4)	21,266	308	20,958
2005	23,931	-	-	-	23,931	72	23,859
2004	20,251	-	-	-	20,251	46	20,205
2003	14,517	-	-	-	14,517	107	14,410
	<u>\$ 1,061,903</u>	<u>\$ 18,228,200</u>	<u>\$ 24,460</u>	<u>\$ 1,206</u>	<u>\$ 19,315,769</u>	<u>\$ 18,217,193</u>	1,098,576
						Allowance for Uncollectible Accounts	<u>(201,319)</u>
						Net Property Tax Receivable	<u>\$ 897,257</u>

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

<b><u>Description of Property</u></b>	<b><u>Valuation</u></b>	<b><u>Levy</u></b>
Real property	\$ 847,766,300	\$ 16,760,340
Motor vehicles	77,640,807	1,644,432
Tangible personal property	20,358,200	402,482
Total	<u>945,765,307</u>	<u>18,807,254</u>
Exemptions and tax freeze	(28,400,729)	(579,054)
Net assessed value	<u>\$ 917,364,578</u>	<u>\$ 18,228,200</u>

## Town of Hopkinton

**Changes in Fund Balances, General Fund  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)  
Unaudited**

	2005	2006	2007	2008	2009	2010	(3) 2011	(3) 2012	(3) 2013	(3) 2014
<b>Revenues</b>										
Property Taxes and Interest	\$ 12,899,624	\$ 13,924,722	\$ 14,361,479	\$ 14,909,405	\$ 15,798,540	\$ 15,674,241	\$ 17,647,812	\$ 17,586,304	\$ 18,194,600	\$ 18,341,125
Federal and state grants and aid	6,484,247	6,554,587	6,981,488	6,945,798	6,233,862	6,886,037	5,725,058	6,031,011	6,022,837	5,828,062
Charges for services	916,838	971,828	921,323	790,774	727,294	884,058	809,586	793,615	848,755	864,816
Private grants and contributions	-	-	-	-	-	-	2,540	-	-	-
Interest on investments	23,595	40,775	57,892	56,707	40,281	7,271	3,249	3,054	5,037	6,635
Other revenues (1)			44,160	534	677,629	10,945	1,517	992	636	10,974
<b>Total revenues</b>	<b>20,324,304</b>	<b>21,491,912</b>	<b>22,366,342</b>	<b>22,703,218</b>	<b>23,477,606</b>	<b>23,462,552</b>	<b>24,189,762</b>	<b>24,414,976</b>	<b>25,071,865</b>	<b>25,051,612</b>
<b>Expenditures</b>										
<b>Current:</b>										
General government	1,291,679	1,425,780	1,683,829	1,718,369	1,580,439	1,648,943	1,743,557	1,734,835	1,695,379	1,726,244
Public safety	1,967,907	2,106,271	2,206,762	2,352,782	2,335,600	2,201,223	2,142,084	2,329,439	2,256,951	2,206,878
Public works	1,016,374	988,571	1,202,655	1,070,838	1,381,498	1,121,971	1,114,468	1,013,227	1,069,660	1,156,310
Recreation	164,729	157,197	182,558	175,014	173,508	208,995	203,284	248,048	254,973	262,177
Public and social services	148,678	151,075	153,741	158,272	166,094	119,102	119,618	127,115	125,250	127,500
Education	15,666,290	16,076,294	16,738,899	17,314,135	17,720,106	17,590,131	18,099,437	18,042,864	18,489,003	18,524,639
Capital Improvements (2)	-	-	-	-	-	-	-	-	-	-
<b>Debt service:</b>										
Principal	96,001	97,466	99,006	100,520	102,327	104,119	106,005	107,903	160,071	162,055
Interest	70,865	63,980	60,053	55,276	97,953	78,329	73,199	88,817	71,786	76,146
<b>Total expenditures</b>	<b>20,422,523</b>	<b>21,066,634</b>	<b>22,327,503</b>	<b>22,945,206</b>	<b>23,557,525</b>	<b>23,072,813</b>	<b>23,601,652</b>	<b>23,692,248</b>	<b>24,123,073</b>	<b>24,241,949</b>
<b>Excess of revenues over expenditures before other financing sources (uses)</b>	<b>(98,219)</b>	<b>425,278</b>	<b>38,839</b>	<b>(241,988)</b>	<b>(79,919)</b>	<b>389,739</b>	<b>588,110</b>	<b>722,728</b>	<b>948,792</b>	<b>809,663</b>
<b>Other financing sources (uses):</b>										
Proceeds from borrowing	130,802	25,980	148,728	67,452	300,629	-	-	-	-	-
Transfers from other funds	150,081	120,234	60,000	55,000	-	-	-	-	-	90,000
Transfers to other funds	(128,927)	(265,383)	(153,315)	(99,215)	(57,314)	(211,237)	(162,545)	(407,200)	(443,275)	(342,647)
<b>Total other financing sources (uses)</b>	<b>151,956</b>	<b>(119,169)</b>	<b>55,413</b>	<b>23,237</b>	<b>243,315</b>	<b>(211,237)</b>	<b>(162,545)</b>	<b>(407,200)</b>	<b>(443,275)</b>	<b>(252,647)</b>
<b>Net change in fund balances</b>	<b>\$ 53,737</b>	<b>\$ 306,109</b>	<b>\$ 94,252</b>	<b>\$ (218,751)</b>	<b>\$ 163,396</b>	<b>\$ 178,502</b>	<b>\$ 425,565</b>	<b>\$ 315,528</b>	<b>\$ 505,517</b>	<b>\$ 557,016</b>
<b>Debt Service as a percentage of noncapital expenditures</b>	<b>0.82%</b>	<b>0.77%</b>	<b>0.71%</b>	<b>0.68%</b>	<b>0.85%</b>	<b>0.79%</b>	<b>0.76%</b>	<b>0.83%</b>	<b>0.96%</b>	<b>0.98%</b>

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

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

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

## Town of Hopkinton

### Assessed Values and Actual Values of Taxable Property

Last Ten Fiscal Years

Unaudited

<u>Fiscal Year</u>		<u>Residential</u>	<u>Commercial*</u>	<u>Tangible</u>		<u>Motor</u>	<u>Less</u>	<u>Total</u>	<u>Total</u>									
<u>Ending</u>		<u>Property</u>	<u>Property</u>	<u>Personal</u>	<u>Inventory</u>	<u>Vehicles</u>	<u>Tax Exempt</u>	<u>Taxable</u>	<u>Direct</u>	<u>Tax</u>								
<u>June 30</u>				<u>Property</u>			<u>Property</u>	<u>Assessed</u>	<u>Rate</u>	<u>Levy</u>								
	\$		\$		\$		\$		\$									
2005	\$	645,309,540	\$	46,446,200	\$	17,686,860	\$	1,466,500	\$	50,565,918	\$	32,260,139	\$	729,214,879	\$	17.82	\$	12,998,099
2006		706,496,600				18,687,400		1,663,820		57,162,544		35,083,646		748,926,718		18.72		14,019,545
2007		917,162,400		71,760,600		19,107,840		1,628,260		64,457,583		47,623,239		1,026,493,444		14.20		14,574,786
2008		933,891,400		75,151,300		19,829,680		1,410,150		66,907,277		48,178,796		1,049,011,011		14.39		15,091,659
2009		942,521,500		81,711,900		20,206,920				70,847,062		52,233,162		1,063,054,220		14.72		15,651,281
2010		947,901,100		79,335,150		18,496,680				61,935,422		51,542,119		1,056,126,233		14.95		15,794,049
2011		950,720,300		79,445,750		19,746,900				66,451,004		19,970,687		1,096,393,267		16.01		17,550,424
2012		762,201,500		73,392,100		20,486,870				74,713,855		25,171,601		905,622,724		19.47		17,630,987
2013		763,335,600		77,944,400		19,857,930				77,319,949		26,424,789		912,033,090		20.07		18,300,511
2014		766,263,800		81,502,500		20,358,200				77,640,807		28,400,729		917,364,578		19.87		18,228,200

\*FY ending 2002, 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 2013-14 tax cap was 4.0%.

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

Statistical revaluations are required every 3 years. Hopkinton was not required to have statistical revaluations in FY 2008-2009 as Hopkinton, Richmond, and Charlestown were to all be on the same revaluation cycle with a full revaluation in FY 2011-12.

Property is assessed at actual market value.

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

Total Direct Tax Rate is the weighted average of all individual rates applied by the Town. The Motor Vehicle rate has been frozen since 2000 at \$21.18. In fiscal year 2013-2014 the property tax rate, excluding motor vehicles, was \$19.77.

# Town of Hopkinton

## Assessed Values and Actual Values of Taxable Property

### Calculation of Total Direct Tax Rate for Fiscal Year ended June 30, 2014

Unaudited

<u>Category</u>		<u>Assessed</u> <u>Value</u>	<u>Direct rate</u> <u>per \$1000</u>	<u>Total</u> <u>Tax Levy</u>
Real Estate				
Residential	\$766,263,800			
Less Exemptions	16,086,109			
Net Residential		\$750,177,691	\$19.77	\$14,830,990
Commercial	81,502,500			
Less Exemptions	-			
Net Commercial		81,502,500	19.77	1,611,304
Tangible Property	20,358,200	20,358,200	19.77	402,448
Motor Vehicle	77,640,807			
Less Exemptions	12,314,620			
Net Motor Vehicle		65,326,187	21.18	1,383,457
Total		<u>917,364,578</u>		<u>18,228,200</u>
Total Tax Levy				18,228,200
Divided by Total Assessment				917,364,578
times 1000				
Weighted Average/Total Direct Rate			\$	19.87

# Town of Hopkinton

Principal Property Taxpayers  
Current year and ten years ago  
Unaudited

	FY 2014		Percentage of Total Taxable Assessed		FY 2005	Percentage of Total Taxable Assessed	
			Value			Value	
Hopkinton Industrial Park LLC	\$ 10,838,000	1	1.18%				0.00%
Narragansett Electric	6,207,220	2	0.68%	\$ 5,967,260	1		0.82%
New Canonchet Cliffs	5,023,400	3	0.55%				0.00%
Mashantucket Pequot	3,408,500	4	0.37%	2,412,300	5		0.33%
Saugatucket Springs	3,007,600	5	0.33%				0.00%
Fenner Hill Country Club	2,998,300	6	0.33%	3,815,700	2		0.52%
American Kuhne Inc.	2,225,900	7	0.24%				0.00%
46 Norwich Westerly Exchange LLC	2,085,100	8	0.23%				0.00%
Chase Hill Rd. Properties LLC	1,952,800	9	0.21%				0.00%
J & T Seaside Realty LLC	1,792,900	10	0.20%				0.00%
Shamrock Associates LLC				3,243,240	3		0.44%
Cox Communications Inc.				3,140,500	4		0.43%
Hopkinton Village Inc.				2,170,300	6		0.30%
Hopkinton Housing Association				2,035,800	7		0.28%
Joseph Colette				1,389,200	8		0.19%
Paxson Communications				1,360,450	9		0.19%
Ramrod Farm LLC				1,219,900	10		0.17%
<b>Total</b>	<b>\$ 39,539,720</b>		<b>4.31%</b>	<b>\$ 26,754,650</b>			<b>3.67%</b>
<b>Total Taxable Assessed Value</b>	<b>\$ 917,364,578</b>			<b>\$ 729,214,879</b>			

data from FY 2014 is from 2013 tax book  
data from FY 2005 is from 2004 tax book



## Town of Hopkinton

### 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 to be</u> <u>Collected</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, 2014</u>
2005	\$ 17.71	\$ 12,998,099	\$ 26,223	\$ 13,024,322	\$ 676,308	5.19%	\$ 20,205
2006	18.64	14,019,545	(16,993)	14,002,552	713,201	5.09%	23,859
2007	14.00	14,574,786	22,212	14,596,998	935,528	6.41%	20,958
2008	14.19	15,091,659	(1,659)	15,090,000	980,879	6.50%	22,094
2009	14.50	15,651,281	(56,000)	15,595,281	797,740	5.12%	29,435
2010	14.79	15,794,049	(45,559)	15,748,490	800,969	5.09%	23,701
2011	15.69	17,550,424	(43,259)	17,507,165	788,872	4.51%	46,657
2012	19.34	17,630,987	(44,628)	17,586,359	685,646	3.90%	73,701
2013	19.98	18,300,511	10,162	18,310,673	731,520	4.00%	109,088
2014	19.77	18,228,200	4,226	18,232,426	714,468	3.92%	714,468

#### Notes:

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

After nine years the balance is written off as uncollectible.



CERTIFIED PUBLIC ACCOUNTANTS

875 Centerville Road, Building 3, Unit 10 • Warwick, RI 02886  
(401) 586-6565 • Fax (401) 826-1710

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the 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, 2014, and the related notes to the financial statements, which collectively comprise the Town of Hopkinton, Rhode Island's basic financial statements, and have issued our report thereon dated December 29, 2014.

***Internal Control Over Financial Reporting***

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

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2014-001 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 2014-002 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

### **Purpose of this Report**

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

*Bacon & Company, LLC*

Warwick, Rhode Island  
December 29, 2014

**TOWN OF HOPKINTON, RHODE ISLAND**  
**Schedule of Findings and Responses**  
**For the Fiscal Year Ended June 30, 2014**

**SEGREGATION OF DUTIES AND RECONCILIATIONS**

**2014-001**     **Material Weakness** - The Finance Director and the Assistant to the Finance Director have job responsibilities that result in a lack of segregation of duties and as a result a weakness in internal controls. The same individual should not have custody of assets and also be responsible for initiating and recording transactions.

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

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

In January 2014, the Finance Director's position became vacant and although the Town hired an interim Finance Director, the Assistant to the Finance Director assumed the responsibility of signing all checks, preparing and posting most journal entries, reconciling the cash accounts, making deposits and initiating wires between cash accounts.

Additionally during this period, all monthly cash reconciliations were not completed in a timely manner and the monthly property tax receivable reconciliations for the period December 2013 through June 2014 were not completed until October and November 2014.

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

We also recommend the all cash and property tax receivable reconciliations be completed in a timely manner to ensure that any misstatements are prevented, detected and corrected in a timely manner and to provide accurate and timely financial reports.

**TOWN OF HOPKINTON, RHODE ISLAND**  
**Schedule of Findings and Responses**  
**For the Fiscal Year Ended June 30, 2014**

**Management Response** - The Finance office acknowledges the need for additional staffing, but funding is not available in this economic environment. However, actions will be taken immediately to segregate duties in the best possible manner given the shortage of staffing.

In August 2014, a full-time Finance Director was hired who assumed the responsibilities of signing checks, initiating wires between cash accounts and reconciling all cash accounts. Also, since hiring a new Finance Director, all monthly reconciliations have been completed through December, 2014 and will be complete at the end of each month moving forward to ensure the General Ledger is updated in a timely and accurate manner.

**2014-002**

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

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

**Management Response** - The Tax Collection office acknowledges the need for additional staffing, but funding is not available in this economic environment. However, actions will be taken immediately to segregate duties in the best possible manner given the shortage of staffing.