

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

***For the Fiscal Year Ended
June 30, 2015***

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ANNUAL FINANCIAL STATEMENTS
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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

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

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, 2015, 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, 2015, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Town implemented GASB Statement No.68, “Financial Reporting for Pensions – An Amendment of GASB Statement No. 27”, and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date”, during fiscal year 2015. Our opinion was not modified with respect to this matter.

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 51 through 56 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 and statistical section 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 February 1, 2016 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.



Warwick, Rhode Island
February 1, 2016

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, 2015. 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 \$5,083,548 or 20.70% of total 2015 budgeted revenues. This is a decrease of \$357,133 from the prior year total fund balance.
- The total unassigned fund balance of the General Fund is \$4,404,498 or 17.94% of total 2015 budgeted revenues. This is a decrease of \$808,065 from the prior year unassigned fund balance.
- The total assigned, committed, restricted or nonspendable fund balance of the General Fund is \$679,050. This is an increase of \$449,707 from the prior year total assigned, committed, restricted or nonspendable fund balance.
- The Town General Fund ended fiscal year 2015 with a budgetary operating surplus of \$0.
- The total bonded debt amount of the Town of Hopkinton increased by \$88,425.
- As reported in the government-wide financial statements, the assets and deferred outflows of resources of the Town of Hopkinton exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$9,008,726. 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 \$173,454 for the fiscal year ended June 30, 2015.

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

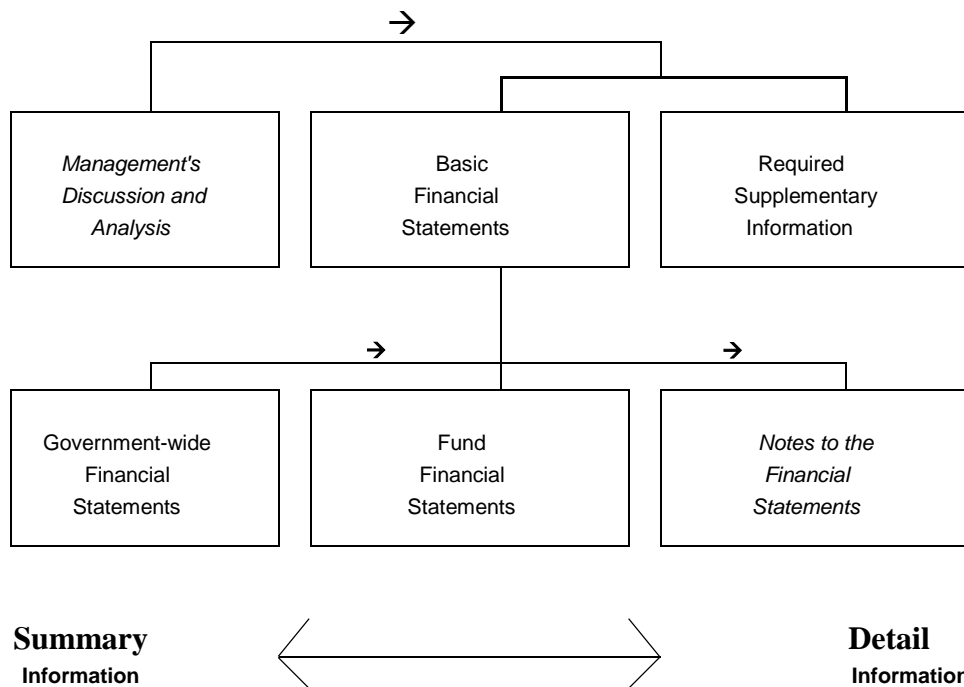


Figure A- 2

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, 2015.

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 50.

Other Information – **In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*.** This section includes a budgetary comparison schedule, which includes 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$9,008,726 as of June 30, 2015.

In regard to the Town's net position (47.66%) 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	
	2014	2015	2014	2015	2014	2015
Current Assets	\$ 7,765,741	\$ 7,841,602	\$ 86,485	\$ 85,504	\$ 7,852,226	\$ 7,927,106
Capital Assets	4,625,649	4,636,712	306,878	296,476	4,932,527	4,933,188
Other Noncurrent Assets	<u>590,160</u>	<u>950,616</u>	<u>-</u>	<u>-</u>	<u>590,160</u>	<u>950,616</u>
Total Assets	12,981,550	13,428,930	393,363	381,980	13,374,913	13,810,910
Deferred Outflows of Resources	<u>204,854</u>	<u>325,860</u>	<u>-</u>	<u>-</u>	<u>204,854</u>	<u>325,860</u>
Current Liabilities	705,769	635,124	11,990	8,412	717,759	643,536
Long-term Liabilities	<u>3,994,411</u>	<u>3,852,381</u>	<u>-</u>	<u>-</u>	<u>3,994,411</u>	<u>3,852,381</u>
Total Liabilities	4,700,180	4,487,505	11,990	8,412	4,712,170	4,495,917
Deferred Inflows of Resources	<u>32,325</u>	<u>632,127</u>	<u>-</u>	<u>-</u>	<u>32,325</u>	<u>632,127</u>
Net Position:						
Net investment in capital assets	3,895,550	3,997,312	306,878	296,476	4,202,428	4,293,788
Restricted	450,103	268,977	-	-	450,103	268,977
Unrestricted	<u>4,108,246</u>	<u>4,368,869</u>	<u>74,495</u>	<u>77,092</u>	<u>4,182,741</u>	<u>4,445,961</u>
Total net position	<u>\$ 8,453,899</u>	<u>\$ 8,635,158</u>	<u>\$ 381,373</u>	<u>\$ 373,568</u>	<u>\$ 8,835,272</u>	<u>\$ 9,008,726</u>

Of the Town's net position, \$268,977 (2.99%) represents resources that are subject to external restriction on how they may be used. Of this amount, \$28,336 is set aside for various capital projects.

Change in Net Position

The total net position of the Town of Hopkinton increased by \$173,454 during fiscal year 2014-2015.

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, 2015.

Governmental activities increased the Town's net position by \$181,259 accounting for the Town's total increase in net position, while business type activities decreased the Town's net position by \$7,805.

TOWN OF HOPKINTON'S CHANGES IN NET POSITION

		Town of Hopkinton's Changes Net Position					
		Governmental Activities		Business-Type Activities		Total	
		2014	2015	2014	2015	2014	2015
Revenues							
Program							
	Charges for services	\$ 794,060	\$ 706,318	\$ 21,565	\$ 18,349	\$ 815,625	\$ 724,667
	Operating/Capital grants and contribution	5,867,246	5,849,685			5,867,246	5,849,685
General revenues							
	Property taxes	18,306,599	17,719,124			18,306,599	17,719,124
	State Aid	261,809	257,246			261,809	257,246
	Investment earnings	9,227	8,827	111	99	9,338	8,926
	Miscellaneous	33,039	13,142			33,039	13,142
	Total Revenues	25,271,980	24,554,342	21,676	18,448	25,293,656	24,572,790
Program Expenses							
	General government	1,944,744	1,752,196			1,944,744	1,752,196
	Recreation	290,816	286,656			290,816	286,656
	Public safety	2,380,854	2,322,533			2,380,854	2,322,533
	Public works	1,494,277	1,395,568			1,494,277	1,395,568
	Social services	154,681	273,392			154,681	273,392
	Education	18,524,639	18,271,091			18,524,639	18,271,091
	Interest on long-term debt	78,876	71,647			78,876	71,647
	Water Fund			29,792	26,253	29,792	26,253
	Total Expenses	24,868,887	24,373,083	29,792	26,253	24,898,679	24,399,336
	Change in net position	403,093	181,259	(8,116)	(7,805)	394,977	173,454
Net position beginning of year		8,050,806	8,453,899	389,489	381,373	8,440,295	8,835,272
Net position end of year		<u>\$ 8,453,899</u>	<u>\$ 8,635,158</u>	<u>\$ 381,373</u>	<u>\$ 373,568</u>	<u>\$ 8,835,272</u>	<u>\$ 9,008,726</u>

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, 2015, the Town's governmental funds reported combined ending fund balances of \$6,928,953. The General Fund reported an unassigned fund balance of \$4,404,498 representing approximately 63.57% of total fund balance.

Restricted/Committed/Assigned

General fund balance:

Nonspendable	\$2,250
Restricted	\$1,032
Committed	\$201,071
Assigned	474,697
Total Nonspendable/Restricted/ Committed/Assigned Fund Balance	\$679,050

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 \$77,092.

The Town of Hopkinton's General Fund Budgetary Items

The Town General Fund had no surplus or deficit in FY15. The actual revenues exceeded budgeted revenues by \$191,972, which decreased the amount used from Fund Balance by \$199,052. The largest surplus was in the Charges for Services of \$145,891 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 \$4,933,188 net of accumulated depreciation at June 30, 2015. Included are land, buildings and improvements, motor vehicles, furniture and equipment, infrastructure, and construction in progress.

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

	Governmental		Business-type		Total	
	2014	2015	2014	2015	2014	2015
Land & Construct. in Progress	\$ 349,470	\$ 367,273	\$ -	\$ -	\$ 349,470	\$ 367,273
Infrastructure	1,455,753	1,475,139	306,878	296,476	1,762,631	1,771,615
Buildings and improvements	2,035,852	1,954,703	-	-	2,035,852	1,954,703
Furniture and equipment	102,193	228,111	-	-	102,193	228,111
Motor vehicles	682,381	611,486	-	-	682,381	611,486
Total	\$ 4,625,649	\$ 4,636,712	\$ 306,878	\$ 296,476	\$ 4,932,527	\$ 4,933,188

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 \$1,570,178.

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

	Gov Activities	Total
Gen Obligation Bonds	\$ 1,570,178	\$ 1,570,178
Capital Leases Payable	156,894	156,894
Amortized Premium on Bond	12,492	12,492
Totals	\$ 1,739,564	\$ 1,739,564

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 \$25,580,241 at year-end. The Town's outstanding general obligation debt subject to the limit is \$1,570,178 at year-end, which is \$24,010,063 under the State imposed limitation.

Subsequent Fiscal Year 2015-2016 Budget and Tax Rates

The Town of Hopkinton's total general fund budget for fiscal year 15/16 is \$24,309,296 which reflects a decrease of \$243,196 from the fiscal 14/15 budget. In the Town's 15/16 budget, \$17,761,469 or 73.06% is allocated for educational purposes and \$6,547,827 or 26.94% is budgeted for other purposes.

Of the \$17,761,469 budgeted for educational purposes, the State of Rhode Island has budgeted for fiscal year 15/16 to contribute \$5,520,458 to the Town's education expense and the Town is budgeted to contribute \$12,241,011.

The Town's tax rate for fiscal year 15/16 is \$20.38 per thousand for real estate and tangible personal property and \$21.18 per hundred for motor vehicles. The tax rate for fiscal year 14/15 was \$20.64 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, 2015

	<i>Primary Government</i>			<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>	<i>Land Trust</i>
Assets				
Current assets:				
Cash and cash equivalents	\$ 6,546,292	\$ 70,410	\$ 6,616,702	\$ 209,930
Receivables:				
Property taxes, net of allowance for uncollectible accounts	739,192	-	739,192	-
Accounts receivable, user fees -net	-	15,094	15,094	-
Due from federal and state government	402,108	-	402,108	-
Due from primary government	-	-	-	11,685
Other	151,760	-	151,760	-
Prepaid expenses	2,250	-	2,250	-
Total current assets	7,841,602	85,504	7,927,106	221,615
Noncurrent assets:				
Capital assets: (Note 5)				
Land and land rights	349,470	-	349,470	3,422,902
Construction in progress	17,803	-	17,803	-
Depreciable buildings, equipment and infrastructure, net	4,269,439	296,476	4,565,915	303,857
Net pension asset	950,616	-	950,616	-
Total noncurrent assets	5,587,328	296,476	5,883,804	3,726,759
Total assets	13,428,930	381,980	13,810,910	3,948,374
Deferred outflows of resources				
Deferred pension amounts	325,860	-	325,860	-
Total deferred outflows of resources	325,860	-	325,860	-
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	248,682	8,412	257,094	-
Accrued interest payable	16,724	-	16,724	2,875
Due to component unit	11,685	-	11,685	-
Bond anticipation note payable	-	-	-	1,000,000
Compensated absences payable	129,658	-	129,658	-
Legal settlement payable	14,391	-	14,391	-
Long-term debt -due within one year (Note 7)	204,484	-	204,484	-
Other liabilities	9,500	-	9,500	-
Total current liabilities	635,124	8,412	643,536	1,002,875
Noncurrent liabilities				
Compensated absences payable	13,725	-	13,725	-
Legal settlement payable	14,392	-	14,392	-
Long-term debt - due in more than one year (Note 7)	1,535,080	-	1,535,080	-
Net pension liability	2,289,184	-	2,289,184	-
Total noncurrent liabilities	3,852,381	-	3,852,381	-
Total liabilities	4,487,505	8,412	4,495,917	1,002,875
Deferred inflows of resources				
Deferred property taxes and other deferred revenues	33,523	-	33,523	-
Deferred pension amounts	598,604	-	598,604	-
Total deferred inflows of resources	632,127	-	632,127	-
Net position				
Net investment in capital assets	3,997,312	296,476	4,293,788	3,726,759
Restricted for:				
Community development	145,805	-	145,805	-
Historical records preservation	34,921	-	34,921	-
Public safety programs	45,582	-	45,582	-
Conservation programs	124	-	124	-
Capital projects	28,336	-	28,336	-
Permanent fund:				
Expendable	6,855	-	6,855	-
Nonexpendable	7,354	-	7,354	-
Unrestricted	4,368,869	77,092	4,445,961	(781,260)
Total net position	\$ 8,635,158	\$ 373,568	\$ 9,008,726	\$ 2,945,499

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, 2015

<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>		
Primary Government:								
Governmental Activities:								
General government	\$ 1,752,196	\$ 433,204	\$ -	\$ 115,367	\$ (1,203,625)	\$ -	\$ (1,203,625)	\$ -
Public safety	2,322,533	132,658	19,063	-	(2,170,812)	-	(2,170,812)	-
Public works	1,395,568	47,182	-	-	(1,348,386)	-	(1,348,386)	-
Recreation	286,656	92,812	-	3,968	(189,876)	-	(189,876)	-
Public and social services	273,392	462	134,939	-	(137,991)	-	(137,991)	-
Education	18,271,091	-	5,576,348	-	(12,694,743)	-	(12,694,743)	-
Debt service, interest	71,647	-	-	-	(71,647)	-	(71,647)	-
Total governmental activities	24,373,083	706,318	5,730,350	119,335	(17,817,080)	-	(17,817,080)	-
Business-Type Activities:								
Water supply	26,253	18,349	-	-	-	(7,904)	(7,904)	-
Total business-type activities	26,253	18,349	-	-	-	(7,904)	(7,904)	-
Total primary government	\$ 24,399,336	\$ 724,667	\$ 5,730,350	\$ 119,335	(17,817,080)	(7,904)	(17,824,984)	-
Component Unit:								
Land trust	\$ 62,722	\$ 2,920	\$ 16,669	\$ 193,753	-	-	-	150,620
General Revenues:								
Property taxes					17,719,124	-	17,719,124	-
State aid and grants not restricted for a specific purpose					257,246	-	257,246	-
Investment earnings					8,827	99	8,926	144
Miscellaneous					13,142	-	13,142	-
Total general revenues					17,998,339	99	17,998,438	144
Change in net position					181,259	(7,805)	173,454	150,764
Net position - beginning of year, restated					8,453,899	381,373	8,835,272	2,794,735
Net position - end of year					\$ 8,635,158	\$ 373,568	\$ 9,008,726	\$ 2,945,499

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

TOWN OF HOPKINTON, RHODE ISLAND

*Balance Sheet
Governmental Funds
June 30, 2015*

	<u>General Fund</u>	<u>CDBG Microloan Fund</u>	<u>Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash	\$ 5,137,411	\$ 13,965	\$ 954,022	\$ 440,894	\$ 6,546,292
Receivables:					
Property taxes, net of allowance					
for doubtful accounts of \$231,231	739,192	-	-	-	739,192
Due from federal and state government	107,772	-	-	294,336	402,108
Other	22,869	125,824	-	3,067	151,760
Due from other funds	298,363	-	233,684	247,788	779,835
Prepaid expenditures	2,250	-	-	-	2,250
Total assets	<u>\$ 6,307,857</u>	<u>\$ 139,789</u>	<u>\$ 1,187,706</u>	<u>\$ 986,085</u>	<u>\$ 8,621,437</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable and accrued expenditures	\$ 224,948	\$ -	\$ -	\$ 23,734	\$ 248,682
Due to other funds	470,718	5,250	-	303,867	779,835
Due to component unit	11,685	-	-	-	11,685
Other liabilities	-	-	-	9,500	9,500
Total liabilities	<u>707,351</u>	<u>5,250</u>	<u>-</u>	<u>337,101</u>	<u>1,049,702</u>
Deferred Inflows of Resources					
Deferred property taxes	498,768	-	-	-	498,768
Other deferred revenues	18,190	125,824	-	-	144,014
Total deferred inflows of resources	<u>516,958</u>	<u>125,824</u>	<u>-</u>	<u>-</u>	<u>642,782</u>
Fund balances					
Nonspendable:					
Prepaid expenditures	2,250	-	-	-	2,250
Permanent fund principal	-	-	-	7,354	7,354
Restricted for:					
Community development	-	8,715	-	11,266	19,981
Historical records preservation	-	-	-	34,921	34,921
Public safety programs	1,032	-	-	44,550	45,582
Conservation programs	-	-	-	124	124
Capital projects	-	-	-	266,008	266,008
Cemetery perpetual care	-	-	-	6,855	6,855
Committed for:					
Employee relations costs	91,639	-	-	-	91,639
Property revaluation	19,254	-	-	-	19,254
Public works	34,734	-	-	-	34,734
Planning and zoning	32,540	-	-	-	32,540
Conservation	2,532	-	-	-	2,532
Educational capital facilities expansion	-	-	-	170,138	170,138
Capital projects	20,372	-	1,187,706	107,807	1,315,885
Assigned for 2016 budget	474,697	-	-	-	474,697
Unassigned	4,404,498	-	-	(39)	4,404,459
Total fund balances	<u>5,083,548</u>	<u>8,715</u>	<u>1,187,706</u>	<u>648,984</u>	<u>6,928,953</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,307,857</u>	<u>\$ 139,789</u>	<u>\$ 1,187,706</u>	<u>\$ 986,085</u>	<u>\$ 8,621,437</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, 2015

Total Fund Balances - Total Governmental Funds	\$ 6,928,953
 Amounts reported for Governmental Activities in the Statement of Net Position are different because:	
Capital assets used in Governmental Activities are not current financial resources and, therefore, are not reported in the Governmental Funds Balance Sheet. See Note 5 to the financial statements.	4,636,712
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.	483,435
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.	125,824
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.	(16,724)
Long-term liabilities (including bonds and loans, leases, compensated absences, legal settlements, and net pension liability) 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.	(4,200,914)
Net pension assets are not current financial resources and, therefore, are not reported in the Governmental Funds Balance Sheet.	950,616
Deferred outflows and inflows related to pensions are not current financial resources or require the use of current financial resources and, therefore are not reported in the Governmental Funds Balance Sheet.	
Deferred outflows related to pensions	325,860
Deferred inflows related to pensions	(598,604)
Net Position - Governmental Activities	<u>\$ 8,635,158</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, 2015

	<u>General Fund</u>	<u>CDBG Microloan Fund</u>	<u>Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 17,536,755	\$ -	\$ -	\$ -	\$ 17,536,755
Federal and state grants and aid	5,994,835	-	-	110,643	6,105,478
Charges for services and fees	786,182	4,566	-	32,138	822,886
Private grants and contributions	1,452	-	-	-	1,452
Interest on investments	6,771	1	1,222	833	8,827
Other revenues	5,458	-	-	-	5,458
Total revenues	<u>24,331,453</u>	<u>4,567</u>	<u>1,222</u>	<u>143,614</u>	<u>24,480,856</u>
Expenditures:					
Current:					
General government	1,900,229	-	-	9,760	1,909,989
Public safety	2,328,161	-	-	227,345	2,555,506
Public works	1,193,892	-	-	123,718	1,317,610
Recreation	264,394	-	-	3,968	268,362
Public and social services	137,750	5,150	-	100,254	243,154
Education - payment to school district	18,271,091	-	-	-	18,271,091
Debt service:					
Principal	161,937	-	-	-	161,937
Interest and other charges	69,140	-	-	-	69,140
Total expenditures	<u>24,326,594</u>	<u>5,150</u>	<u>-</u>	<u>465,045</u>	<u>24,796,789</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>4,859</u>	<u>(583)</u>	<u>1,222</u>	<u>(321,431)</u>	<u>(315,933)</u>
Other financing sources (uses):					
Capital-related debt issued	68,293	-	-	253,000	321,293
Proceeds from sale of capital assets	-	-	-	7,684	7,684
Transfers from other funds	-	-	233,684	196,601	430,285
Transfers to other funds	(430,285)	-	-	-	(430,285)
Total other financing sources (uses)	<u>(361,992)</u>	<u>-</u>	<u>233,684</u>	<u>457,285</u>	<u>328,977</u>
Net change in fund balances	(357,133)	(583)	234,906	135,854	13,044
Fund balances - beginning of year, restated	<u>5,440,681</u>	<u>9,298</u>	<u>952,800</u>	<u>513,130</u>	<u>6,915,909</u>
Fund balances - end of year	<u>\$ 5,083,548</u>	<u>\$ 8,715</u>	<u>\$ 1,187,706</u>	<u>\$ 648,984</u>	<u>\$ 6,928,953</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, 2015

Net Changes in Fund Balances - Total Governmental Funds \$ 13,044

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. 362,440

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. (351,377)

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. 46,597

Other receivables written off during the year are reported as expenses in the Government-Wide Statement of Net Position, but decrease other deferred inflows in the Governmental Fund Financial Statements. (36,275)

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. 292,094

Accrued interest expense on long-term debt is reported in the Government-Wide Statement of Activities, but does not require the use of current financial resources. Therefore, accrued interest expense is not reported as an expenditure in the Governmental Fund Financial Statements. The following amount represents the change in accrued interest expense from the prior year. 1,990

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. (321,293)

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

Long-term net pension liabilities and assets are reported in the Government-Wide Statement of Activities, but do not require the use of current financial resources or are not available to pay for current period expenditures. Therefore, long-term net pension liabilities and assets are not reported as expenditures in Governmental Funds financial statements. This is the amount of the change in long-term net pension liabilities and assets and related deferred pension amounts in the current period. 107,456

Revenues reported in prior periods in the Statement of Activities that are not reported in Governmental Funds until the revenues are measurable and available. 65,802

Change in Net Position - Governmental Activities \$ 181,259

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, 2015

	<u>Enterprise Fund</u> <u>Water Supply</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 70,410
Accounts receivable, user fees - net	15,094
Total current assets	85,504
Noncurrent assets	
Depreciable capital assets - net	296,476
Total noncurrent assets	296,476
Total assets	381,980
 Liabilities	
Current liabilities	
Accounts payable and accrued expenses	8,412
Total current liabilities	8,412
Total liabilities	8,412
 Net position	
Net investment in capital assets	296,476
Unrestricted	77,092
Total net position	\$ 373,568

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, 2015

	<u><i>Enterprise Fund</i></u> <u><i>Water Supply</i></u>
<i>Operating revenues</i>	
User fees	\$ 18,349
<i>Total operating revenues</i>	<u>18,349</u>
 <i>Operating expenses</i>	
Water purchases	15,807
Contract services	44
Depreciation	10,402
<i>Total operating expenses</i>	<u>26,253</u>
 <i>Operating loss</i>	 <u>(7,904)</u>
 <i>Nonoperating revenues</i>	
Interest income	99
<i>Total nonoperating revenues</i>	<u>99</u>
 <i>Change in net position</i>	 (7,805)
 <i>Total net position - beginning of year</i>	 <u>381,373</u>
 <i>Total net position - end of year</i>	 <u><u>\$ 373,568</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, 2015

	<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	\$ 21,025
Cash paid to suppliers	(19,429)
<i>Net cash provided by operating activities</i>	<u>1,596</u>
 <i>Cash flows from investing activities</i>	
Interest received	<u>99</u>
<i>Net cash provided by investing activities</i>	<u>99</u>
 <i>Net increase in cash and cash equivalents</i>	
	1,695
 <i>Cash and cash equivalents - beginning of year</i>	
	<u>68,715</u>
 <i>Cash and cash equivalents - end of year</i>	
	<u><u>\$ 70,410</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, 2015

	<u>Enterprise Fund</u> <u>Water Supply</u>
<i>Reconciliation of operating loss to net cash provided by operating activities:</i>	
Operating loss	\$ (7,904)
<i>Adjustments to reconcile operating loss to net cash provided by operating activities:</i>	
Depreciation	10,402
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable, user fees	2,676
Increase (decrease) in accounts payable and accrued expenses	<u>(3,578)</u>
 <i>Net cash provided by operating activities</i>	 <u>\$ 1,596</u>

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

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2015

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, 2015

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, 2015

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
Notes to Financial Statements
June 30, 2015

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, 2015, 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, 2015, the Town had no fiduciary funds.

C. RECENTLY ISSUED ACCOUNTING STANDARDS

The Town has implemented the following new accounting pronouncements:

- 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.
- 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 adoption of GASB Statement No. 69 did not have an impact on the Town's financial position or results of operations. However, the adoption of GASB Statement Nos. 68 and 71 for the Town's Pension Plans resulted in a restatement of net position in the Government-Wide Financial Statements of (\$1,718,768) as discussed in Note 17.

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

- GASB Statement No. 72 – Fair Value Measurement and Application, effective for the Town's fiscal year ending June 30, 2016.
- GASB Statement No. 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, effective for the Town's fiscal years ending June 30, 2016 and June 30, 2017.
- GASB Statement No. 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, effective for the Town's fiscal year ending June 30, 2017.

TOWN OF HOPKINTON, RHODE ISLAND
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- GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective for the Town’s fiscal year ending June 30, 2018.
- GASB Statement No. 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, effective for the Town’s fiscal year ending June 30, 2016.
- GASB Statement No. 77 – Tax Abatement Disclosures, effective for the Town’s fiscal year ending June 30, 2017.

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 16, 2014 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 OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

In the Governmental Fund Financial Statements, deferred inflows of resources are 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 are reported for amounts received before the period for which property taxes are levied. In the Government-Wide Financial Statements deferred outflows of resources and deferred inflows of resources are also reported for amounts related to the Town’s pension plans that will be amortized as a component of pension expense in future years.

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.

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2015

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, 2015.

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. PENSIONS

For the purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees' Retirement System plans and the additions to/ deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. 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.

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2015

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 \$25,580,241. As of June 30, 2015, the Town’s debt subject to the legal debt margin is \$1,570,178 and the Town is under the debt limit by \$24,010,063. 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, 2015: Behavioral Health Fund - \$(39).

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”.

	<i>Carrying</i>
	<u>Amount</u>
Total Deposits	\$6,825,582
Add: Petty cash	1,050
<i>Total Cash and Cash Equivalents</i>	<hr/>
<i>Reported in the Financial Statements</i>	<u><u>\$6,826,632</u></u>

CUSTODIAL CREDIT RISK – custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town does not have a formal deposit policy for custodial credit risk. As of June 30, 2015, \$5,853,967 of the Town’s bank balance of \$6,843,953 was exposed to custodial credit risk as follows:

	<i>Bank</i>
	<u>Balance</u>
Insured (Federal depository insurance funds)	\$989,986
Collateralized with securities held by pledging financial institution’s agent, but not in the Town’s name	1,735,204
Uninsured and uncollateralized	<hr/>
<i>Total</i>	<u><u>\$6,843,953</u></u>

Under Rhode Island general laws, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall at a minimum, insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits, which are time deposits with maturities greater than sixty (60) days. Any of these institutions which do not meet minimum capital

TOWN OF HOPKINTON, RHODE ISLAND
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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, 2015, the Town's uncollateralized deposits with institutions were \$4,118,763. 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, 2015. 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, 2015

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June, 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Nondepreciable assets:				
Land	\$ 349,470	\$ -	\$ -	\$ 349,470
Construction in progress	-	17,803	-	17,803
	<u>349,470</u>	<u>17,803</u>	<u>-</u>	<u>367,273</u>
Depreciable assets:				
Infrastructure	21,960,083	125,144	-	22,085,227
Buildings and improvements	3,860,409	49	-	3,860,458
Furniture and equipment	733,770	151,151	-	884,921
Motor vehicles	1,605,358	68,293	84,864	1,588,787
	<u>28,159,620</u>	<u>344,637</u>	<u>84,864</u>	<u>28,419,393</u>
Total Capital Assets	<u>28,509,090</u>	<u>362,440</u>	<u>84,864</u>	<u>28,786,666</u>
Less accumulated depreciation for:				
Infrastructure	20,504,330	105,758	-	20,610,088
Buildings and improvements	1,824,557	81,198	-	1,905,755
Furniture and equipment	631,577	25,233	-	656,810
Motor vehicles	922,977	139,188	84,864	977,301
Total Accumulated Depreciation	<u>23,883,441</u>	<u>351,377</u>	<u>84,864</u>	<u>24,149,954</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,625,649</u>	<u>\$ 11,063</u>	<u>\$ -</u>	<u>\$ 4,636,712</u>
Business-Type Activities:				
Depreciable assets:				
Water lines	\$ 520,092	\$ -	\$ -	\$ 520,092
Total Capital Assets	<u>520,092</u>	<u>-</u>	<u>-</u>	<u>520,092</u>
Less accumulated depreciation for:				
Water lines	213,214	10,402	-	223,616
Total Accumulated Depreciation	<u>213,214</u>	<u>10,402</u>	<u>-</u>	<u>223,616</u>
Business-Type Activities Capital Assets, Net	<u>\$ 306,878</u>	<u>\$ (10,402)</u>	<u>\$ -</u>	<u>\$ 296,476</u>
Capital asset activity for the Land Trust for the year ended June 30, 2015 is as follows:				
Nondepreciable assets:				
Land and land rights	\$ 3,069,536	\$ 353,366	\$ -	\$ 3,422,902
	<u>3,069,536</u>	<u>353,366</u>	<u>-</u>	<u>3,422,902</u>
Depreciable assets:				
Bridges	149,652	-	-	149,652
Buildings	-	146,634	-	146,634
Improvements other than buildings	33,000	-	-	33,000
	<u>182,652</u>	<u>146,634</u>	<u>-</u>	<u>329,286</u>
Total Capital Assets	<u>3,252,188</u>	<u>500,000</u>	<u>-</u>	<u>3,752,188</u>
Less accumulated depreciation for:				
Bridges	1,995	2,993	-	4,988
Buildings	-	1,466	-	1,466
Improvements other than buildings	17,325	1,650	-	18,975
Total Accumulated Depreciation	<u>19,320</u>	<u>6,109</u>	<u>-</u>	<u>25,429</u>
Land Trust Capital Assets, Net	<u>\$ 3,232,868</u>	<u>\$ 493,891</u>	<u>\$ -</u>	<u>\$ 3,726,759</u>

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2015

Depreciation expense was charged as follows:

Governmental activities:	
General government	\$ 24,866
Public safety	100,270
Public works	193,438
Recreation	32,803
Total Depreciation Expense, Governmental Activities	<u>\$ 351,377</u>

NOTE 6 – SHORT-TERM DEBT

On April 1, 2015, the Town issued a bond anticipation note depositing the proceeds to the Land Trust. The note bears interest of 1.15% and matures on March 31, 2016. Short-term debt activity for the year ended June 30, 2015 is as follows:

<u>Component Unit</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Bond anticipation note	\$700,000	\$1,000,000	\$700,000	\$1,000,000

NOTE 7 – LONG-TERM LIABILITIES

A. LONG-TERM LIABILITIES:

Changes in long-term liabilities during the year ended June 30, 2015 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds, loans and capital leases payable:					
Bonds and loans payable	\$1,481,753	\$ 253,000	\$ 164,575	\$1,570,178	\$ 100,168
Capital leases	216,120	68,293	127,519	156,894	104,316
Plus: amortized premium on bond	13,273	-	781	12,492	-
Total bonds, loans and capital leases	1,711,146	321,293	292,875	1,739,564	204,484
Other liabilities:					
Accrued compensated absences	189,980	-	46,597	143,383	129,658
Legal settlements payable	28,783	-	-	28,783	14,391
Net pension liability	2,513,782	-	224,598	2,289,184	-
Total Governmental Activities	4,443,691	321,293	564,070	4,200,914	348,533
Long-Term Liabilities	<u>\$4,443,691</u>	<u>\$ 321,293</u>	<u>\$ 564,070</u>	<u>\$4,200,914</u>	<u>\$ 348,533</u>

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

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
 June 30, 2015

B. BONDS AND LOANS PAYABLE

Outstanding bonds and loans 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, 2014</u>	<u>New Issues</u>	<u>Maturities During Year</u>	<u>Outstanding June 30, 2015</u>
Rhode Island Clean Water Finance Agency	6/29/1994	3.04%	9/1/2014	\$ 1,346,179	\$ 67,774	\$ -	\$ 67,774	\$ -
Police Station Fund: Dime Savings Bank	4/25/2003	5.00%	5/1/2023	900,000	513,979	-	46,801	467,178
Open Space	7/21/2011	2.5-4.375%	8/15/2031	1,000,000	900,000	-	50,000	850,000
Roads	5/28/2015	.25-1.73%	9/1/2024	253,000	-	253,000	-	253,000
Total governmental activities bonds and loans payable					<u>\$ 1,481,753</u>	<u>\$ 253,000</u>	<u>\$ 164,575</u>	<u>\$ 1,570,178</u>

At June 30, 2015 annual debt service requirements to maturity for bonds and loans payable are as follows:

<u>Year ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 100,168	\$ 56,559	\$ 156,727
2017	128,781	54,627	183,408
2018	131,468	50,191	181,659
2019	134,294	45,514	179,808
2020	137,236	40,613	177,849
2021-2025	588,231	125,622	713,853
2026-2030	250,000	49,219	299,219
2031-2032	100,000	4,375	104,375
	<u>\$ 1,570,178</u>	<u>\$ 426,720</u>	<u>\$ 1,996,898</u>

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2015

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, 2014</u>	<u>New Issues</u>	<u>Retirements During Year</u>	<u>Outstanding June 30, 2015</u>
Police vehicle	4/4/2013	5.00%	4/4/2015	\$ 70,950	\$ 23,631	\$ -	\$ 23,631	\$ -
Police vehicle	10/8/2013	6.00%	10/8/2015	73,542	47,586	-	23,100	24,486
Street sweeper	4/21/2014	2.97%	10/21/2016	175,185	144,903	-	56,685	88,218
Police vehicle	1/23/2015	6.00%	1/23/2017	68,293	-	68,293	24,103	44,190
Total governmental activities capital leases					<u>\$ 216,120</u>	<u>\$ 68,293</u>	<u>\$ 127,519</u>	<u>\$ 156,894</u>

Obligations of governmental activities under capital leases at June 30, 2015 were as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Lease Payment Requirements</u>
2016	\$ 110,622
2017	54,385
Total minimum lease payments	<u>165,007</u>
Less: Amount representing interest cost	<u>(8,113)</u>
Present value of minimum lease payments	<u>\$ 156,894</u>

Equipment and vehicles are reported in the Statement of Net Position at a cost of \$387,970. Amortization of assets acquired under capital leases is included in depreciation expense for the year ended June 30, 2015.

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2015

NOTE 8 – INTERFUND BALANCES

The Town reports interfund balances between many of its funds. Interfund balances at June 30, 2015 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	\$ (10,754)	\$ 5,250	\$ 303,867	\$ 298,363
Capital Project Fund	233,684			233,684
Nonmajor Governmental Funds	247,788	-	-	247,788
<i>Total</i>	\$ 470,718	\$ 5,250	\$ 303,867	\$ 779,835

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	\$ 233,684	\$ 233,684
Nonmajor Governmental Funds	196,601	196,601
<i>Total</i>	\$ 430,285	\$ 430,285

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 \$231,231. 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, 2015

B. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounts payable and accrued liabilities at June 30, 2015, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:				
General Fund	\$ 52,630	\$ 159,512	\$ 12,806	\$ 224,948
Nonmajor Governmental Funds	23,734	-	-	23,734
Total Governmental Activities	<u>\$ 76,364</u>	<u>\$ 159,512</u>	<u>\$ 12,806</u>	<u>\$ 248,682</u>
Business-Type Activities:				
Water Supply	\$ 8,412	\$ -	\$ -	\$ 8,412
Total Business-Type Activities	<u>\$ 8,412</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,412</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
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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
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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, 2015.

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 on October 10, 2015. A new five-year operating lease effective October 11, 2015 was executed during fiscal year 2015. Future minimum lease payments to be received by the Town are as follows:

<u><i>Year Ending June 30,</i></u>	
2016	\$13,409
2017	13,600
2018	13,600
2019	13,600
2020	13,600
2021	3,400
	<u>\$71,209</u>

NOTE 16 – SUBSEQUENT EVENT

On September 30, 2015, the Town issued general obligation bonds in the amount of \$1,960,000. The bonds mature on May 1, 2016-2025 and bear interest of 2.22%.

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2015

NOTE 17 – RESTATEMENTS

The net position of the Governmental Activities has been restated to reflect adjustments related to the adoption of GASB Statement No. 68, “Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,” and GASB Statement No.71, “Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68,” in fiscal year 2015. The General Fund and Other Governmental Funds have been restated to correct a prior year error.

	<u><i>Governmental Activities</i></u>	
Net position - June 30, 2014, as previously reported	\$ 10,172,667	
Implement GASB Statement Nos. 68 and 71	<u>(1,718,768)</u>	
Net position - June 30, 2014, as restated	<u><u>\$ 8,453,899</u></u>	
	<u><i>General Fund</i></u>	<u><i>Other Governmental Funds</i></u>
Fund balances - June 30, 2014, as previously reported	\$ 5,441,906	\$ 511,905
Reclassification of revenues and expenditures to correct fund	<u>(1,225)</u>	<u>1,225</u>
Fund balances - June 30, 2014, as restated	<u><u>\$ 5,440,681</u></u>	<u><u>\$ 513,130</u></u>

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2015

NOTE 18 – PENSION PLANS

A. MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND PLANS

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 employees participate only in the defined benefit plan.

Defined Benefit Plans

General Information about the Pension Plan

Plan Description - The Municipal Employees' Retirement System (MERS) – an agent multiple-employer defined benefit pension plan - provides certain retirement, disability and death benefits to plan members and beneficiaries. MERS was established under Rhode Island General Law and placed under the management of the Employee's Retirement System of Rhode Island (ERSRI) Board to provide retirement allowances to employees of municipalities, housing authorities, water and sewer districts, and municipal police and fire persons that have elected to participate. Benefit provisions are subject to amendment by the General Assembly.

MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the ERSRI website at <http://www.ersri.org>.

Benefits Provided – For general employees prior to June 30, 2012 the plan provided retirement benefits equal to 2% of a member's final average salary multiplied by the number of years of total service up to a maximum of 75%. Such benefits are available to members at least age 58 with 10 years of service or after 30 years of service at any age. Benefits accrued at June 30, 2012 are protected under the Rhode Island Retirement Security Act until it is exceeded by the member's full years of service credit, including service after June 30, 2012, multiplied by the average of five consecutive years of compensation. Effective July 1, 2012 the retirement age will mirror the Social Security Normal Retirement Age not to exceed age 67. Members will receive a benefit accrual of 1.0% per year based on the five-year average compensation.

Joint and survivor options are available as well as the Service Retirement Allowance (SRA) Plus option that provides for the payment of a larger benefit before the attainment of age sixty-two (62) and a reduced amount thereafter. The reduced amount is equal to the benefit before age sixty-two (62), including cost-of-living increases, minus the member's estimated social security benefit payable at age sixty-two (62).

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2015

Prior to June 30, 2012 police and fire personnel may retire at age 55 if they have 10 years of service or after 25 years of service at any age. An option may be elected to provide a 20 year service pension with a benefit equal to 2.5% for each year of service up to a maximum of 75% for police and fire personnel. Benefits are based on the average of the highest three consecutive years' earnings, exclusive of overtime.

The new retirement age will be 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 or firefighters, that are at least 45 years old, have 10 or more years of contributing service and are eligible to retire prior to age 52 under the law in effect on June 30, 2012, may retire at age 52.

As of June 30, 2012 members will continue to have a frozen benefit accrual of 2.0% per year for a standard 25 year with any age and out plan; 2.5% for a standard 20 year with any age and out plan. Effective July 1, 2012 the optional 20 and 25 year with retirement at any age plans have been eliminated. The benefit accrual for all plans will be 2.0% per year based on the five-year average compensation, exclusive of overtime. Police and fire 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 will be calculated based on how close the member is to the eligibility date that is prescribed in the Rhode Island Retirement Security Act.

The plan also provides survivor's benefits and certain lump sum death benefits.

Plan members are vested after five years of service.

An optional cost-of-living provision may be elected for police and fire personnel and general employees. 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% funded, 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. For police and fire units, COLA will be delayed until the later of age 55 or three years after retirement. For general employee units, COLA will be delayed until the later of the Social Security Normal Retirement Age or three years after retirement. The COLA will be applied to the first \$25,000 of benefits indexed annually.

The plan also provides nonservice-connected disability benefits after 5 years of service; service-connected disability pensions with no minimum service requirement.

The Town of Hopkinton has only general employees and police officers that participate in the MERS Plan. The Town of Hopkinton has elected the optional cost-of-living provision for its general employees and police officers. The Town has also elected to participate in the 20-year service pension for police officers.

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2015

Employees Covered by Benefit Terms - At the June 30, 2013 valuation date, the following employees were covered by the benefit terms:

	General Employees Plan	Police Officers Plan
Retirees and Beneficiaries Inactive, Nonretired	14	13
Members	15	1
Active Members	36	15
Total	65	29

Contributions - The amount of employee and employer contributions have been established under Rhode Island General Law Chapter 45-21. General employees are required to contribute 2% of their salaries. Police officers are required to contribute 8% of their salaries. The Town of Hopkinton contributes at a rate of covered employee payroll as determined by an independent actuary on an annual basis. The General Assembly can amend the amount of these contribution requirements. The Town of Hopkinton contributed the following amounts in the year ended June 30, 2015: general employees plan - \$101,187 and police officers plan - \$219,634. The Town's contributions represented the following percentages of annual covered payroll: general employees plan - 5.89%; and police officers plan - 24.16%.

Net Pension Liability - The total pension liability was determined by actuarial valuations performed as of June 30, 2013 and rolled forward to June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement.

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2015

Summary of Actuarial Assumptions Used in the Valuations to Determine the Net Pension Liability at the June 30, 2014 Measurement Date (June 30, 2013 valuation rolled forward to June 30, 2014)	
Actuarial Cost Method	Entry Age Normal - The Individual Entry Age Actuarial Cost methodology is used.
Amortization Method	Level Percent of Payroll – Closed
Equivalent Single Remaining Amortization Period	21 years at June 30, 2014
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Projected Salary Increases	General Employees - 3.50% to 7.50% ; Police Officers - 4.00% to 14.00%
Inflation	2.75%
Mortality	<ul style="list-style-type: none"> • Male Employees, MERS General and MERS Police: 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000. • Female Employees, MERS General and MERS Police: 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.
Cost of Living Adjustments	COLA is 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 latter of Social Security eligibility age or 3 years after retirement except for MERS Police for which the COLA is delayed until the later of age 55 or 3 years after retirement. A 2% COLA is assumed after January 1, 2014.

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2015

The actuarial assumptions used in the June 30, 2013 valuation rolled forward to June 30, 2014 and the calculation of the total pension liability at June 30, 2014 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on forward-looking medium-term (10 year) capital market return assumptions developed by eight investment consulting firms. The June 30, 2014 expected arithmetic returns over the medium term by asset class as developed by the State Investment Commission’s investment consultant, which are generally consistent with the averages utilized by the actuary, are summarized in the following table:

Asset Class	Target allocation	Medium-term expected real rate of return
Global Equity	38%	6.05%
Private Equity	7%	9.05%
Equity Hedge	8%	4.75%
Absolute Return Hedge	7%	2.95%
Real Return	14%	3.85%
Real Estate	8%	4.45%
Core Fixed	15%	0.25%
Cash	3%	-0.50%
	100%	

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall medium-term expected rate of return best-estimate on an arithmetic basis. To arrive at the long-term expected return estimate, the actuary adjusts the medium-term number to reflect the longer 30-year time frame required for actuarial calculations. This process produces the actuarial expected return, which is based on a 30-year horizon, and can differ from the medium-term, 10-year-horizon return expectations.

Discount Rate - The discount rate used to measure the total pension liability of the plans was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2015

General Employees Plan
Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset)
Balances as of June 30, 2013	\$3,902,618	\$4,492,778	\$(590,160)
Changes for the Year:			
Service cost	161,437		161,437
Interest on the total pension liability	292,185		292,185
Changes in benefits			
Difference between expected and actual experience			
Changes in assumptions	6,099		6,099
Employer contributions		106,729	(106,729)
Employee contributions		33,423	(33,423)
Net investment income		684,310	(684,310)
Benefit payments, including employee refunds	(175,064)	(175,064)	-
Administrative expense		(4,285)	4,285
Other changes			
Net changes	284,657	645,113	(360,456)
Balances as of June 30, 2014	\$4,187,275	\$5,137,891	\$(950,616)

Police Officers Plan
Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of June 30, 2013	\$7,489,126	\$4,975,344	\$2,513,782
Changes for the Year:			
Service cost	149,013		149,013
Interest on the total pension liability	549,806		549,806
Changes in benefits			
Difference between expected and actual experience			
Changes in assumptions	(41,160)		(41,160)
Employer contributions		98,125	(98,125)
Employee contributions		70,497	(70,497)
Net investment income		718,132	(718,132)
Benefit payments, including employee refunds	(465,771)	(465,771)	-
Administrative expense		(4,497)	4,497
Other changes			
Net changes	191,888	416,486	(224,598)
Balances as of June 30, 2014	\$7,681,014	\$5,391,830	\$2,289,184

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2015

Subsequent to June 30, 2014 (the measurement date), litigation challenging the various pension reform measures enacted in previous years by the General Assembly (2009, 2010, and 2011) was settled. The final settlement approved by the Court on July 8, 2015 also included enactment of the pension settlement provisions by the General Assembly.

The amended benefit provisions in the newly enacted legislation and settlement agreement have not been reflected in the determination of the net pension liability at June 30, 2014 (the measurement date). These amended benefit provisions are summarized below:

- Employees with more than 20 years of service at July 1, 2012 will increase their employee contribution rate from 3.75% to 11% and participate solely in the defined benefit plan going forward – service credit accruals will increase from 1% to 2% per year.
- Employees with more than 10 but less than 20 years of service at July 1, 2012 will receive an increased employer contribution to the defined contribution plan.
- Retirees as of June 30, 2015 will receive two \$500 stipends; the interim cost of living increases will occur at 4 year rather 5 year intervals.
- Minor adjustments were made to the actuarial reduction for employees choosing to retire early.

These amendments are not considered to have a material effect on the net pension liability had they been retroactively applied to the calculation of the total pension liability at June 30, 2013 rolled forward to June 30, 2014. Actuarial analyses of the pension settlement provisions enacted by the General Assembly and approved by the Court for each MERS employer unit as of June 30, 2014 are available at the ERSRI’s website at <http://www.ersri.org>.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents the net pension liability (asset) of the employer calculated using the discount rate of 7.5 percent, as well as what the employer’s net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

Plan	1.00% Decrease (6.5%)	Current Discount Rate (7.5%)	1.00 Increase (8.5%)
General Employees	\$(513,726)	\$(950,616)	\$(1,387,506)
Police Officers	\$3,105,610	\$2,289,184	\$1,472,759

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2015

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued ERSRI financial report.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the Town recognized pension expense as follows: general employees plan - \$20,292; and police officers plan - \$193,073. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	General Employees Plan	Police Officers Plan
Deferred Outflows of Resources:		
Assumption changes	\$ 5,039	\$ -
Contributions subsequent to the measurement date	101,187	219,634
Total	\$106,226	\$219,634
 Deferred Inflows of Resources:		
Assumption changes	\$ -	\$ 34,512
Net difference between projected and actual investment earnings	279,058	285,034
Total	\$279,058	\$319,546

The deferred outflows of resources related to pensions resulting from the Town contributions in fiscal year 2015 subsequent to the measurement date that will be recognized as a reduction of the net pension liability (asset) for the year ended June 30, 2016. Other amounts reported as deferred outflows/(inflows) of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Net Deferred Outflows/(Inflows) of Resources	
	General Employees Plan	Police Officers Plan
2016	\$ (68,704)	\$ (77,907)
2017	(68,704)	(77,907)
2018	(68,704)	(77,907)
2019	(68,706)	(77,905)
2020	799	(6,648)
Thereafter	-	(1,272)
Total	\$(274,019)	\$(319,546)

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2015

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.

General employees contribute 5% of their annual covered salary and employers contribute 1% of annual covered salary. Employee contributions are immediately vested while employer contributions and any investment earnings thereon are vested after three years of contributory service. Benefit terms and 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.

As previously indicated in the disclosure of recently-enacted pension legislation, the employer contribution for certain qualifying employees will increase slightly beginning in fiscal 2016.

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

The Town of Hopkinton recognized pension expense of \$17,179 and employees contributed \$85,897 for the fiscal year ended June 30, 2015.

The System issues an annual financial report that includes financial statements and required supplementary information for plans administered by the System. The reports can be obtained at <http://www.ersri.org>.

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
 June 30, 2015

B. AGGREGATE PENSION AMOUNTS REPORTED IN THE FINANCIAL STATEMENTS

	Deferred Outflows of Resources – Pension Amounts	Deferred Inflows of Resources – Pension Amounts	Net Pension Asset	Net Pension Liability	Pension Expense
General Employees Plan	\$106,226	\$279,058	\$950,616	\$ -	\$ 20,292
Police Officers Plan	219,634	319,546	-	2,289,184	193,073
Total	\$325,860	\$598,604	\$950,616	\$2,289,184	\$213,365

TOWN OF HOPKINTON, RHODE ISLAND

**Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2015**

	Original/ Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Revenues			
Property taxes	\$ 17,465,489	\$ 17,536,755	\$ 71,266
Federal and state grants and aid	5,912,348	5,881,275	(31,073)
Charges for services	640,291	786,182	145,891
Interest on investments	3,500	6,430	2,930
Other revenue	2,500	5,458	2,958
Use of fund balance	528,364	329,312	(199,052)
Total revenues	<u>24,552,492</u>	<u>24,545,412</u>	<u>(7,080)</u>
Expenditures			
Current:			
General government	1,742,687	1,731,112	11,575
Public safety	2,283,877	2,258,023	25,854
Public works	1,172,207	1,189,679	(17,472)
Recreation	248,141	264,394	(16,253)
Public and social services	137,769	137,750	19
Education	18,271,091	18,271,091	-
Debt service	234,435	231,078	3,357
Total expenditures	<u>24,090,207</u>	<u>24,083,127</u>	<u>7,080</u>
Excess of revenues over expenditures before other financing uses	<u>462,285</u>	<u>462,285</u>	<u>-</u>
Other financing uses			
Transfers to other funds	(462,285)	(462,285)	-
Total other financing uses	<u>(462,285)</u>	<u>(462,285)</u>	<u>-</u>
Excess of revenues over expenditures and other financing uses, budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

TOWN OF HOPKINTON, RHODE ISLAND
Required Supplementary Information
General Employees Pension Plan
Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios (1)
"Unaudited"

<i>Fiscal Year</i>	<u>2015</u>
Total pension liability:	
Service cost	\$ 161,437
Interest	292,185
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	6,099
Benefits payments, including refunds of member contributions	<u>(175,064)</u>
Net change in total pension liability	284,657
Total pension liability - beginning	<u>3,902,618</u>
Total pension liability - ending (a)	<u><u>\$ 4,187,275</u></u>
Plan fiduciary net position:	
Contributions - employer	\$ 106,729
Contributions - employee	33,423
Net investment income	684,310
Benefits payments, including refunds of member contributions	(175,064)
Administrative expense	(4,285)
Other	-
Net change in plan fiduciary net position	<u>645,113</u>
Plan fiduciary net position - beginning	<u>4,492,778</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 5,137,891</u></u>
Town's net pension liability (asset) - ending (a) - (b)	<u><u>\$ (950,616)</u></u>
Plan fiduciary net position as a percentage of the total pension liability	122.70%
Covered employee payroll	\$ 1,671,191
Net pension liability as a percentage of covered employee payroll	-56.88%

(1) This schedule is intended to show 10 years - additional information will be presented as it becomes available.

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

TOWN OF HOPKINTON, RHODE ISLAND
Required Supplementary Information
Police Officers Pension Plan
Schedule of Changes in the Net Pension Liability and Related Ratios (1)
"Unaudited"

<i>Fiscal Year</i>	<u>2015</u>
Total pension liability:	
Service cost	\$ 149,013
Interest	549,806
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(41,160)
Benefits payments, including refunds of member contributions	<u>(465,771)</u>
Net change in total pension liability	191,888
Total pension liability - beginning	<u>7,489,126</u>
Total pension liability - ending (a)	<u><u>\$ 7,681,014</u></u>
Plan fiduciary net position:	
Contributions - employer	\$ 98,125
Contributions - employee	70,497
Net investment income	718,132
Benefits payments, including refunds of member contributions	(465,771)
Administrative expense	(4,497)
Other	-
Net change in plan fiduciary net position	<u>416,486</u>
Plan fiduciary net position - beginning	<u>4,975,344</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 5,391,830</u></u>
Town's net pension liability - ending (a) - (b)	<u><u>\$ 2,289,184</u></u>
Plan fiduciary net position as a percentage of the total pension liability	70.20%
Covered employee payroll	\$ 881,211
Net pension liability as a percentage of covered employee payroll	259.78%

(1) This schedule is intended to show 10 years - additional information will be presented as it becomes available.

The 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 Town Contributions (1)
"Unaudited"

<i>Fiscal Year</i>	<u>2015</u>
<u>General Employees Plan</u>	
Actuarially determined contribution	\$ 101,187
Contributions in relation to the actuarially determined contribution	101,187
<i>Contribution deficiency (excess)</i>	<u><u>\$ -</u></u>
Covered employee payroll	\$ 1,717,934
Contributions as a percentage of covered employee payroll	5.89%
<u>Police Officers Plan</u>	
Actuarially determined contribution	\$ 219,634
Contributions in relation to the actuarially determined contribution	219,634
<i>Contribution deficiency (excess)</i>	<u><u>\$ -</u></u>
Covered employee payroll	\$ 909,082
Contributions as a percentage of covered employee payroll	24.16%

(1) This schedule is intended to show 10 years - additional information will be presented as it becomes available.

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

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2015

NOTE 1 – PENSION PLANS

The actuarial methods and assumptions used to calculate the total pension liability are described in Note 18 to the financial statements.

There were no benefit changes during the year.

The net pension liability (asset) amounts presented for each fiscal year were determined as of the June 30 measurement date prior to the fiscal year-end.

The schedules are intended to present ten years of data. Additional years of data will be presented as they become available.

Actuarially Determined Contributions:

Actuarially determined contribution rates are calculated as of June 30 of each plan year and effective 2 years after the actuarial valuation. The following actuarial methods and assumptions were used to determine contribution amounts reported in that schedule:

- Actuarial cost method – Entry Age Normal
- Amortization method - Level percentage of payroll, closed
- Remaining amortization period - 23 years
- Asset valuation method – 5-year smoothed market
- Inflation – 2.75%
- Investment return - 7.50%
- Salary increases – 4% to 8% for general employees; 4.25% to 14.25% for police officers.
- Retirement age – Experienced-based table of rates that are specific to the type of eligibility condition.
- Mortality – Males, General and Police Officers – 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000.
- Mortality – Females, General and Police Officers – 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.

Employers participating in the Municipal Employees' Retirement System are required by RI General Laws, Section 45-21-42, to contribute an actuarially determined contribution rate each year.

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2015

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 2015. 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:

	<i>General Fund</i>
<u>Revenues and Other Financing Sources</u>	
Revenues and other financing sources – budgetary basis	\$24,545,412
Unbudgeted revenues not included in budgetary revenues, but included for financial reporting purposes.	115,353
Use of fund balance included for budgetary purposes, but not for financial reporting purposes.	(329,312)
Capital-related debt proceeds not budgeted.	68,293
<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>	\$24,399,746
<u>Expenditures and Other Financing Uses</u>	
Expenditures and other financing uses – budgetary basis	\$24,545,412
Unbudgeted expenditures not included in budgetary expenditures, but included for financial reporting purposes.	175,174
Capital lease expenditures not budgeted.	68,293
Budgeted transfer included for budgetary purposes, but not for financial reporting purposes.	(32,000)
<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>	\$24,756,879

TOWN OF HOPKINTON, RHODE ISLAND
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

	<i>Special Revenue Funds</i>	<i>Capital Project Funds</i>	<i>Permanent Funds</i>	<i>Total Nonmajor Governmental Funds</i>
ASSETS				
Cash	\$ 244,823	\$ 181,862	\$ 14,209	\$ 440,894
Due from federal and state government	43,866	250,470	-	294,336
Other receivables	3,067	-	-	3,067
Due from other funds	23,512	224,276	-	247,788
Total assets	\$ 315,268	\$ 656,608	\$ 14,209	\$ 986,085
 LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable and accrued expenditures	\$ 15,936	\$ 7,798	\$ -	\$ 23,734
Due to other funds	38,372	265,495	-	303,867
Other liabilities	-	9,500	-	9,500
Total liabilities	54,308	282,793	-	337,101
 Fund balances				
Nonspendable - permanent fund principal	-	-	7,354	7,354
Restricted	90,861	266,008	6,855	363,724
Committed	170,138	107,807	-	277,945
Unassigned	(39)	-	-	(39)
Total fund balances	260,960	373,815	14,209	648,984
Total liabilities and fund balances	\$ 315,268	\$ 656,608	\$ 14,209	\$ 986,085

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, 2015

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues				
Federal and state grants and aid	\$ 110,643	\$ -	\$ -	\$ 110,643
Charges for services and fees	32,138	-	-	32,138
Interest on investments	512	309	12	833
Total revenues	<u>143,293</u>	<u>309</u>	<u>12</u>	<u>143,614</u>
Expenditures				
Current:				
General government	9,760	-	-	9,760
Public safety	152,474	74,871	-	227,345
Public works	-	123,718	-	123,718
Recreation	3,968	-	-	3,968
Public and social services	100,254	-	-	100,254
Total expenditures	<u>266,456</u>	<u>198,589</u>	<u>-</u>	<u>465,045</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	<u>(123,163)</u>	<u>(198,280)</u>	<u>12</u>	<u>(321,431)</u>
Other financing sources				
Capital-related debt issued	-	253,000	-	253,000
Proceeds from sale of capital assets	4,263	3,421	-	7,684
Transfers from other funds	-	196,601	-	196,601
Total other financing sources	<u>4,263</u>	<u>453,022</u>	<u>-</u>	<u>457,285</u>
Net change in fund balances	(118,900)	254,742	12	135,854
Fund balances - beginning of year, restated	<u>379,860</u>	<u>119,073</u>	<u>14,197</u>	<u>513,130</u>
Fund balances - end of year	<u>\$ 260,960</u>	<u>\$ 373,815</u>	<u>\$ 14,209</u>	<u>\$ 648,984</u>

TOWN OF HOPKINTON, RHODE ISLAND

*Tax Collector's Annual Report
For the Fiscal Year Ended June 30, 2015*

Real Estate and Personal Property Taxes

<u>Tax Year</u>	<u>Balance June 30, 2014</u>	<u>Current year Assessment</u>	<u>Refunds</u>	<u>Abatements/ Adjustments</u>	<u>Amount to be Collected</u>	<u>Current Year Collections</u>	<u>Balance June 30, 2015</u>
2014	\$ -	\$ 17,634,724	\$22,312	\$ (44,080)	\$ 17,612,956	\$ 17,017,342	\$ 595,614
2013	714,468	-	6,001	9,484	729,953	656,914	73,039
2012	109,088	-	60	(4,120)	105,028	34,488	70,540
2011	73,701	-	-	(4,117)	69,584	17,511	52,073
2010	46,657	-	-	(3,654)	43,003	9,250	33,753
2009	23,701	-	-	26	23,727	5,672	18,055
2008	29,435	-	-	-	29,435	1,328	28,107
2007	22,094	-	-	-	22,094	493	21,601
2006	20,958	-	-	-	20,958	652	20,306
2005	23,859	-	-	-	23,859	518	23,341
2004	20,205	-	-	-	20,205	521	19,684
2003	14,410	-	-	-	14,410	100	14,310
	<u>\$ 1,098,576</u>	<u>\$ 17,634,724</u>	<u>\$ 28,373</u>	<u>\$ (46,461)</u>	<u>\$ 18,715,212</u>	<u>\$ 17,744,789</u>	970,423

Allowance for Uncollectible Accounts (231,231)

Net Property Tax Receivable \$ 739,192

Schedule of Most Recent Net Assessed Property Value by Category

<u>Description of Property</u>	<u>Valuation</u>	<u>Levy</u>
Real property	\$ 779,120,170	\$ 16,081,040
Motor vehicles	78,711,307	1,667,105
Tangible personal property	<u>18,677,560</u>	<u>385,505</u>
Total	876,509,037	18,133,651
Exemptions and tax freeze	<u>(23,834,331)</u>	<u>(498,927)</u>
Net assessed value	<u>\$ 852,674,706</u>	<u>\$ 17,634,724</u>

Town of Hopkinton

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

	2006	2007	2008	2009	2010	(3) 2011	(3) 2012	(3) 2013	(3) 2014	(3) 2015
Revenues										
Property Taxes and Interest	\$ 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	\$ 17,536,755
Federal and state grants and aid	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	5,874,941
Charges for services	971,828	921,323	790,774	727,294	884,058	809,586	793,615	848,755	864,816	786,182
Private grants and contributions	-	-	-	-	-	2,540	-	-	-	-
Interest on investments	40,775	57,892	56,707	40,281	7,271	3,249	3,054	5,037	6,635	6,430
Other revenues (1)		44,160	534	677,629	10,945	1,517	992	636	10,974	334,769
Total revenues	21,491,912	22,366,342	22,703,218	23,477,606	23,462,552	24,189,762	24,414,976	25,071,865	25,051,612	24,539,077
Expenditures										
Current:										
General government	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	1,731,112
Public safety	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	2,258,023
Public works	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	1,189,679
Recreation	157,197	182,558	175,014	173,508	208,995	203,284	248,048	254,973	262,177	264,394
Public and social services	151,075	153,741	158,272	166,094	119,102	119,618	127,115	125,250	127,500	137,750
Education	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	18,271,091
Capital Improvements (2)	-	-	-	-	-	-	-	-	-	-
Debt service:										
Principal	97,466	99,006	100,520	102,327	104,119	106,005	107,903	160,071	162,055	161,937
Interest	63,980	60,053	55,276	97,953	78,329	73,199	88,817	71,786	76,146	69,140
Total expenditures	21,066,634	22,327,503	22,945,206	23,557,525	23,072,813	23,601,652	23,692,248	24,123,073	24,241,949	24,083,126
Excess of revenues over expenditures before other financing sources (uses)	425,278	38,839	(241,988)	(79,919)	389,739	588,110	722,728	948,792	809,663	455,951
Other financing sources (uses):										
Proceeds from borrowing	25,980	148,728	67,452	300,629	-	-	-	-	-	-
Transfers from other funds	120,234	60,000	55,000	-	-	-	-	-	90,000	6,334
Transfers to other funds	(265,383)	(153,315)	(99,215)	(57,314)	(211,237)	(162,545)	(407,200)	(443,275)	(342,647)	(462,285)
Total other financing sources (uses)	(119,169)	55,413	23,237	243,315	(211,237)	(162,545)	(407,200)	(443,275)	(252,647)	(455,951)
Net change in fund balances	\$ 306,109	\$ 94,252	\$ (218,751)	\$ 163,396	\$ 178,502	\$ 425,565	\$ 315,528	\$ 505,517	\$ 557,016	\$ -
Debt Service as a percentage of noncapital expenditures										
	0.77%	0.71%	0.68%	0.85%	0.79%	0.76%	0.83%	0.96%	0.98%	0.96%

(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>Tax</u>	<u>Levy</u>
	\$		\$		\$			\$		\$
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
2015		707,098,400	72,021,770	18,677,560		78,711,307	23,834,331	852,674,706	20.68	17,634,724

*FY ending in 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 2014-15 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 2014-2015 the property tax rate, excluding motor vehicles, was \$20.64.

Town of Hopkinton

Assessed Values and Actual Values of Taxable Property

Calculation of Total Direct Tax Rate for Fiscal Year ended June 30, 2015

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	\$707,098,400			
Less Exemptions	11,175,020			
Net Residential		\$695,923,380	\$20.64	\$14,363,827
Commercial	72,021,770			
Less Exemptions	-			
Net Commercial		72,021,770	20.64	1,486,529
Tangible Property	18,677,560	18,677,560	20.64	385,491
Motor Vehicle	78,711,307			
Less Exemptions	12,659,311			
Net Motor Vehicle		66,051,996	21.18	1,398,877
Total		<u>852,674,706</u>		<u>17,634,724</u>
Total Tax Levy				17,634,724
Divided by Total Assessment				852,674,706
times 1000				
Weighted Average/Total Direct Rate			\$	20.68

Town of Hopkinton

Principal Property Taxpayers
Current year and ten years ago
Unaudited

	FY 2015		<u>Percentage</u> <u>of Total</u> <u>Taxable Assessed</u>		FY 2006		<u>Percentage</u> <u>of Total</u> <u>Taxable Assessed</u>	
			Value				Value	
Hopkinton Industrial Park LLC	\$ 10,387,900	1	1.22%				0.00%	
Narragansett Electric	6,207,220	2	0.73%	\$ 6,201,800	1		0.83%	
New Canonchet Cliffs	5,396,000	3	0.63%				0.00%	
Mashantucket Pequot	3,502,800	4	0.41%	2,412,300	5		0.32%	
Saugatucket Springs	2,827,600	5	0.33%				0.00%	
Fenner Hill Country Club	1,786,100	6	0.21%	3,815,300	2		0.51%	
46 Norwich Westerly Exchange LLC	2,164,400	7	0.25%				0.00%	
American Kuhne Inc.	2,054,300	8	0.24%				0.00%	
Classic Acres Inc.	1,907,000	9	0.22%	1,778,500	9		0.24%	
LR6-A Owners LLC	1,524,200	10	0.18%				0.00%	
Shamrock Associates LLC				3,603,600	3		0.48%	
Cox Communications Inc.				2,533,880	4		0.34%	
Hopkinton Village Inc.				2,170,300	6		0.29%	
Hopkinton Housing Association				2,035,800	7		0.27%	
Paxson Communications				1,839,520	8		0.25%	
Ramrod Farm LLC				1,219,900	10		0.16%	
Total	\$ 37,757,520		4.43%	\$ 27,610,900			3.69%	
Total Taxable Assessed Value	\$ 852,674,706			\$ 748,926,718				

data from FY 2015 is from 2014 tax book
data from FY 2006 is from 2005 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, 2015</u>
2006	\$ 18.64	\$ 14,019,545	\$ (16,993)	\$ 14,002,552	\$ 713,201	5.09%	\$ 23,341
2007	14.00	14,574,786	22,212	14,596,998	935,528	6.41%	20,306
2008	14.19	15,091,659	(1,659)	15,090,000	980,879	6.50%	21,601
2009	14.50	15,651,281	(56,000)	15,595,281	797,740	5.12%	28,107
2010	14.79	15,794,049	(45,559)	15,748,490	800,969	5.09%	18,055
2011	15.69	17,550,424	(43,259)	17,507,165	788,872	4.51%	33,753
2012	19.34	17,630,987	(44,628)	17,586,359	685,646	3.90%	52,073
2013	19.98	18,300,511	10,162	18,310,673	731,520	4.00%	70,540
2014	19.77	18,228,200	4,226	18,232,426	714,468	3.92%	73,039
2015	20.64	17,634,724	(21,768)	17,612,956	595,614	3.38%	595,614

Notes:

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

Inventory tax rates not noted.

After nine years the balance is written off as uncollectible.



CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the 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, 2015, 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 February 1, 2016.

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 2015-001 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 2015-002 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
February 1, 2016

TOWN OF HOPKINTON, RHODE ISLAND
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2015

SEGREGATION OF DUTIES AND RECONCILIATIONS

2015-001 **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, authorizing certain payment vouchers and wiring cash between accounts.

The Assistant to the Finance Director was authorized to sign checks in the Finance Director's absence until December 2014. The Assistant to the Finance Director is also responsible for preparing and posting journal entries, preparing the biweekly payroll, processing and preparing all vendor checks, and accepting, preparing and making departmental deposits.

Additionally, monthly cash reconciliations and monthly property tax receivable reconciliations were not completed in a timely manner during fiscal year 2015.

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.

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.

All monthly reconciliations have been completed through December, 2015 and will be completed at the end of each month moving forward to ensure the General Ledger is updated in a timely and accurate manner.

TOWN OF HOPKINTON, RHODE ISLAND
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2015

Also, the Town is considering the purchase of integration software that will eliminate the timely tax reconciliation process by importing data directly into the Town's General Ledger. This new software would populate the General Ledger as soon as the data is available from the Tax Collector's office and require little to no manual Journal Entries.

2015-002

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.