

**HOPKINTON SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2008**

**HOPKINTON SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2008**  
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## **PLODZIK & SANDERSON**

*Professional Association/Accountants & Auditors*

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### ***INDEPENDENT AUDITOR'S REPORT***

To the Members of the School Board  
Hopkinton School District  
Hopkinton, New Hampshire

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Hopkinton School District as of and for the year ended June 30, 2008, which collectively comprise the Hopkinton School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Hopkinton School District as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hopkinton School District's basic financial statements. The combining and individual fund schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements. They have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

October 29, 2008

*Plodzik & Sanderson  
Professional Association*

**HOPKINTON SCHOOL DISTRICT**  
**Management's Discussion and Analysis (MD&A)**  
**Of the Annual Financial Report for the Year Ended June 30, 2008**

**INTRODUCTION**

The Superintendent of Schools and Business Administrator of New Hampshire School Administrative Unit (SAU) #66, as management of the Hopkinton School District (the District), offer readers of the District's annual financial statements this narrative discussion and analysis of the financial activities of the District for the fiscal year which ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the annual financial statements.

**FINANCIAL HIGHLIGHTS**

- ❑ Total District net assets were \$7,548,241 at June 30, 2008. This was an increase of \$138,525 (1.87%) over the prior year.
- ❑ The District's total net assets of \$7,548,241 on June 30, 2008, consisted of \$6,847,828 in capital assets net of debt, and an unrestricted net asset balance of \$700,413.
- ❑ The District's non-current portion of long-term obligations of \$4,375,933 consisted of \$4,194,700 in general obligation bonds, \$85,733 in capital leases and \$95,500 in compensated absences. These liabilities are reflected as a reduction in net assets.
- ❑ The District established procedures for submitting claims for reimbursement for services to students eligible through the Medicaid for Schools Program. In 2007-08, the District received \$74,167 which is \$8,593 higher than what was received in 2006-07. The District expects to receive approximately \$30,000 for the next few years as the Medicaid program has changed the qualifications for reimbursements.
- ❑ During the year, the District's expenses of \$14,621,345 for all governmental activities were \$138,525 less than the total revenues of \$14,759,870. Revenues consist of: charges for services; operating grants and contributions; and general revenues (which can include local and state property tax assessments and grants or contributions not restricted to specific programs).

**OVERVIEW OF FINANCIAL STATEMENTS**

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business, and to provide both long-term and short-term information.

The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. This statement of net assets includes debt, contractual obligations and compensable absences as elements of the assets and liabilities of the District.

The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods. Growth in net assets over time can generally be expected to reflect improving financial condition, while shrinkage would indicate declining financial condition. Other indicators of financial health might be changes in District revenues, facility condition, growth/decline in student population, and adequacy of District budgets.

The Government-wide Financial Statements show functions of the District that are principally supported by property taxes and intergovernmental revenues as "Governmental Activities". Intergovernmental revenues include local, state and federal monies. The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Taxes and intergovernmental revenues also support fixed assets and related debt.

**Fund Financial Statements.** The fund financial statements provide more detailed information about the District's most significant funds- not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular programs. Some funds are required to be established by state law and by bond covenants. The School Board establishes other funds to control and manage money for particular purposes or to show that the District is meeting legal responsibilities for using certain revenues. The District has two kinds of funds:

- Governmental funds – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps one to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided with the governmental funds statements explaining the relationship (or differences) between them.
- Fiduciary funds – the District is the trustee, or fiduciary, for assets that belong to others; the student activities funds and the private-purpose trust funds are agency funds. The District is responsible for ensuring that assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from the district-wide financial statements because the District cannot use the assets to finance its operations.

**Notes to the 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.

## NET ASSETS

**Net Assets for the period ending June 30, 2008.** The current year's financial statements are higher than last year's. The District's combined net assets were \$7,548,241 at June 30, 2008 compared to \$7,409,716 at June 30, 2007.

	2007	2008
Current Assets	1,231,207	1,067,079
Noncurrent Assets	11,694,060	11,575,092
<b>Total Assets</b>	<b>12,925,267</b>	<b>12,642,171</b>
Current Liabilities	725,800	717,997
Noncurrent Liabilities	4,789,751	4,375,933
<b>Total Liabilities</b>	<b>5,515,551</b>	<b>5,093,930</b>
Investment in capital assets (net of debt)	6,581,610	6,847,828
Unrestricted net assets	828,106	700,413
<b>Total Net Assets</b>	<b>7,409,716</b>	<b>7,548,241</b>

**Changes in Net Assets.** The District's total revenues were \$14,759,870 and total expenses \$14,621,345, resulting in an increase of net assets of \$138,525. The largest part, 96.73%, of the

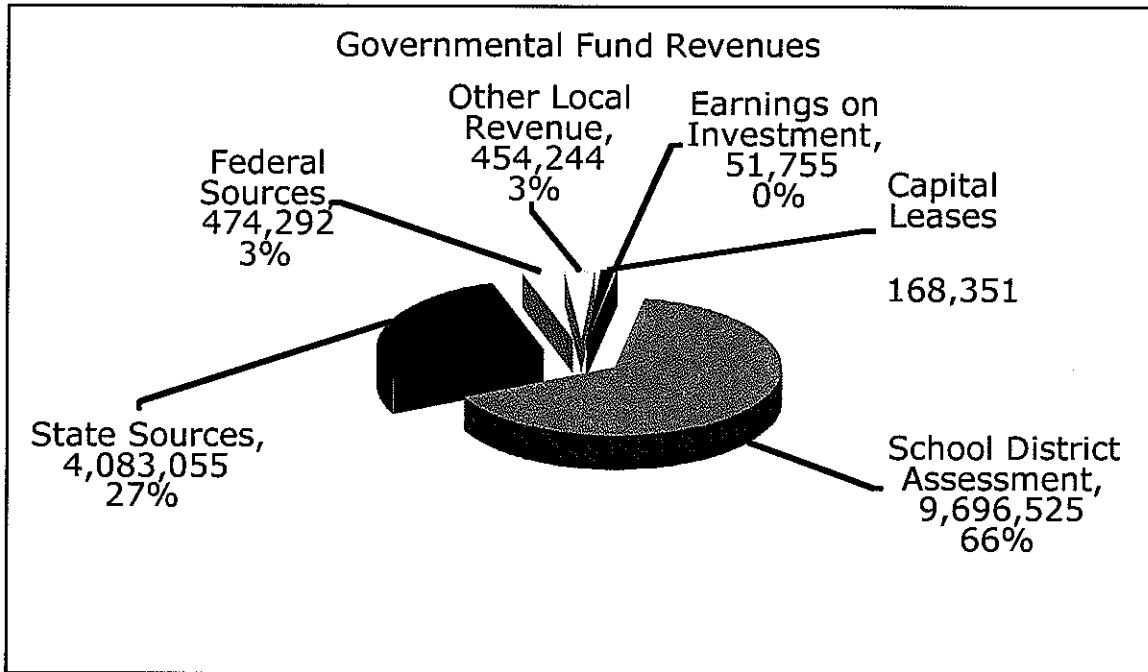
District's revenues came from the local tax assessment and the State of New Hampshire. The State of New Hampshire's sources include the locally raised state property tax, federal aid received through the state, and various state aid programs.

The District's expenses were largely for instruction and support services (96.14%) based on Exhibit B.

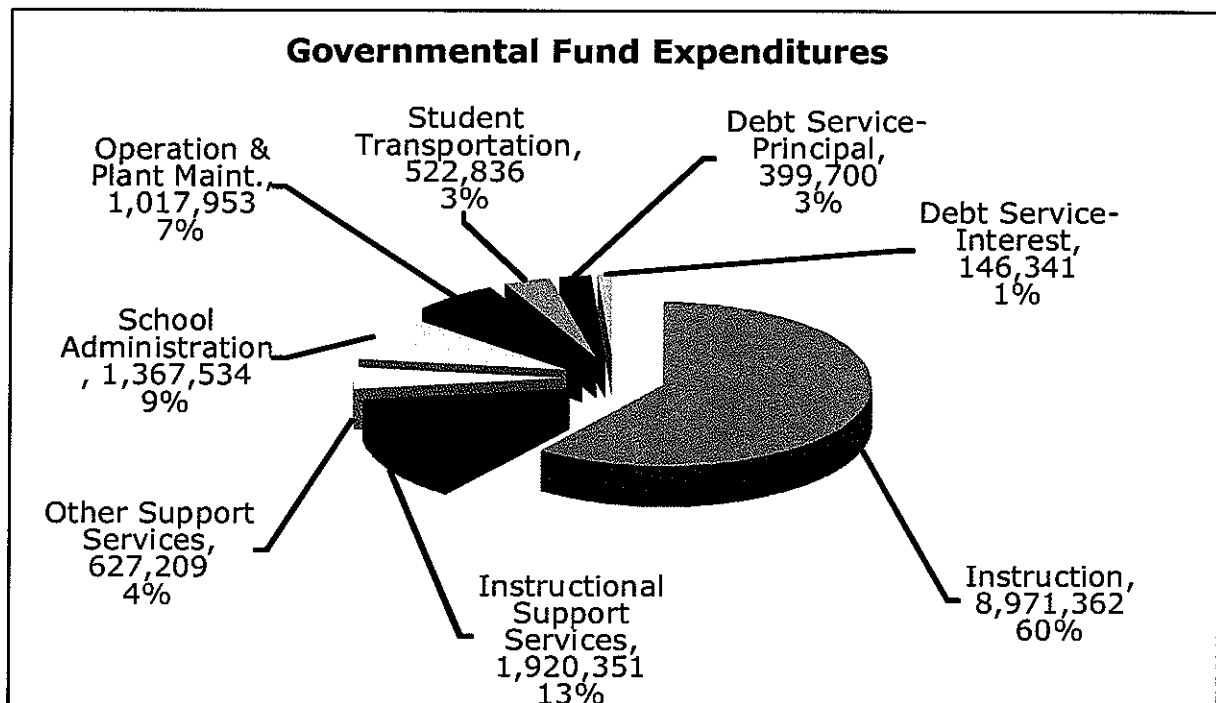
	2007		2008	
<b>Program Revenues</b>				
Charges for services	\$339,894	2.38%	\$365,781	2.48%
Operating grants & contributions	651,329	4.55%	738,005	5.00%
Capital Grants and Contributions	135,913	.95%	153,259	1.04%
<b>General Revenues</b>				
School District assessment	9,817,107	68.55%	9,696,525	65.65%
Local sources	78,237	.55%	52,377	.35%
State of NH sources	3,195,140	22.31%	3,668,514	24.85%
Federal sources	23,143	.16%	20,781	.14%
Earnings on investments	79,429	.55%	64,628	.44%
<b>Total Revenues</b>	<b>\$14,320,192</b>	<b>100%</b>	<b>\$14,759,870</b>	<b>100%</b>
<b>Functions / Programs</b>				
Instruction	8,581,846	60.84%	8,978,260	61.41%
Support Services	4,709,875	33.39%	5,077,955	34.73%
Food service program	403,180	2.85%	392,517	2.68%
FA&C	53,356	.38%	47,426	.32%
<b>Unallocated Expenses</b>				
Interest	357,880	2.54%	125,187	.86%
<b>Total Expenses</b>	<b>\$14,106,137</b>	<b>100%</b>	<b>\$14,621,345</b>	<b>100%</b>
<b>Revenue in Excess (Less) of Expense</b>	<b>\$214,055</b>		<b>\$138,525</b>	

## GOVERNMENTAL FUNDS SUMMARY

**Summary of Revenues.** The biggest share, \$14,253,872 (96%), of revenue was derived from local appropriations and intergovernmental sources. The state property tax is included as part of intergovernmental revenue even though it is raised locally. This revenue statement includes revenues from local, state and federal sources.



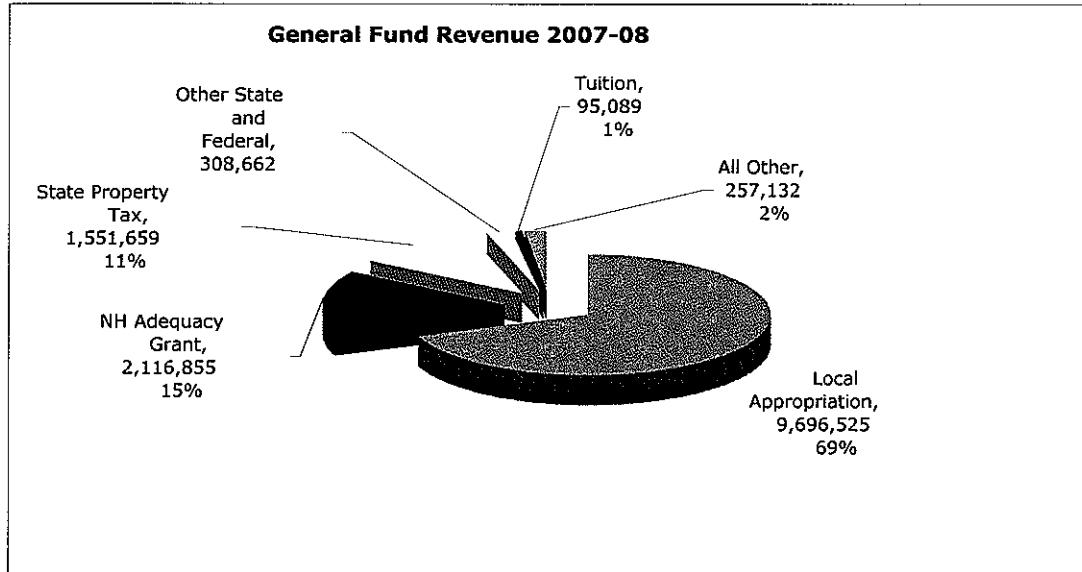
**Summary of Net Expenditures.** The Hopkinton School District used its budgetary resources as depicted below. 73% of all expenditures were for instruction and instructional support services. Instructional support service represents only a part of the support services as indicated on Exhibit C-3. All support services total 96%. This expenditure statement includes expenditures paid from local, state and federal appropriations.



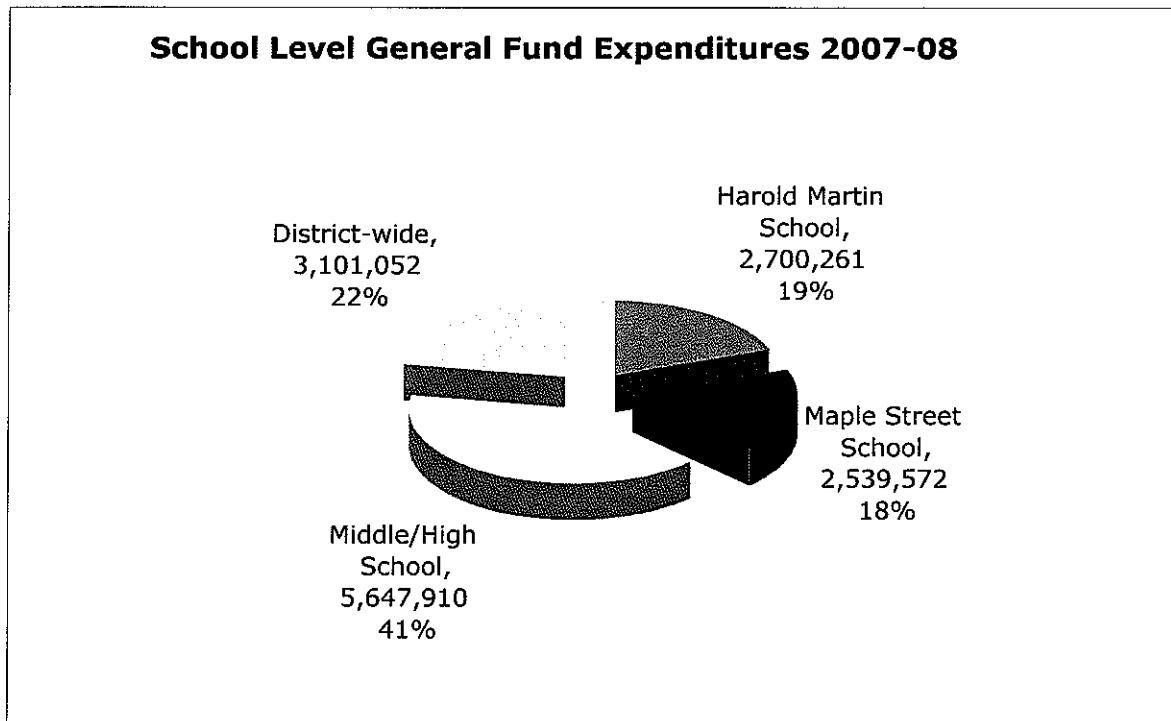
## INDIVIDUAL FUND ANALYSIS

### General Fund

The General Fund is what most people think of as “the budget” since it is the focal point of the Annual District Meeting and largely supported by locally raised taxes. The local appropriation and the state property tax are raised locally and make up 80% of general fund revenues. Together, the revenues raised locally and the state adequacy grant comprise over 95% of the District’s General Fund Budgetary Revenues. This graph is using the budgetary basis and is not in accordance with GAAP (See Schedule 1).



School level expenditures constitute 78% of the total general fund (net of refunds) expenditures of \$13,988,795. This graph is using the budgetary basis and is not in accordance with GAAP (See Schedule 2).





## GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District reviews its annual budget and will sometimes make minor adjustments to reflect unexpected changes in revenues and expenditures. These adjustments over the past year did not change the bottom line but rather accommodated unanticipated needs such as increased/decreased enrollment, increased/decreased material costs and unanticipated repairs within functions and objects. A procedure is in place that when such budget adjustments are necessary, there must be at least a three-tiered approval process. The process includes District Administrators, Business Administrator signature, and in the event that the adjustment exceeds \$5,000, Superintendent and Board approval is also necessary.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The strong financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$980,121, a decrease from last year's ending fund balance of \$1,025,188. The District's sound fiscal management policies and procedures have historically resulted in a positive general fund balance to ultimately offset taxes. Other factors contributing to this positive fund balance include items which must be budgeted for but may or not be expended. The approximate breakdowns of the 2007-2008 general fund savings are as follows:

Personnel (Salaries only)	\$28,863
Personnel ( Benefits)	210,666
Early retirement, course reimbursements & professional development activities (contractual agreements)	57,977
Revenue received above anticipated	67,990
Operations and maintenance of plant (repairs, heat, electricity and supplies)	7,845
Contingency	50,000
Special Education	9,085
Supplies, books, reference materials, etc.	17,815
Telephone, postage, printing, travel, etc.	8,701
Contracted services, equipment, dues and fees, etc.	12,677
Various accounts other than noted above	13,220
HMS window and heat recovery projects	64,454
Bond payments due to refinancing 1997 Bond	71,015
Transfer to School Building Repair and Maintenance Trust Fund	-25,000
Transfer to Educating Educationally Disabled Children Trust Fund from Surplus	-25,000
<b>General Fund Balance Returned to Town</b>	<b>\$ 570,308</b>

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

On June 30, 2008, the District reported capital assets of \$11,575,092, which consist of a broad range of capital assets, including land & improvements, buildings & improvements, machinery and equipment and infrastructure. More detailed information about the District's capital assets is presented in the notes to the financial statements.

	<b>Governmental Activities</b>		<b>Total % Change</b>
	<b>2008</b>	<b>2007</b>	<b>2008 over 2007</b>
Land & Improvements	\$ 547,770	\$ 547,770	0.00%
Buildings & Improvements	16,628,184	16,432,734	1.19%
Machinery & Equipment	539,745	490,428	10.06%
Infrastructure	48,300	48,300	0.00%
Work In Progress	0	0	0.00%
<b>Totals at Historical Cost</b>	<b>17,763,999</b>	<b>17,519,232</b>	<b>1.40%</b>
Total Accumulated Depreciation	-6,188,907	-5,825,173	6.24%
<b>NET CAPITAL ASSETS</b>	<b>\$ 11,575,092</b>	<b>\$ 11,694,059</b>	<b>-1.02%</b>

## Long-Term Debt

On August 1, 1997, the District issued a series of general obligation bonds totaling in the aggregate \$6,992,000. The District added a \$548,500 bond during the 2003-04 fiscal year for repairs to the roofs at the Hopkinton Middle/High School, Harold Martin School and Maple Street School. The District also added, in 2004-05 fiscal year, the purchase of a twenty-two-passenger school bus through a capital lease. The 1997 bond was refinanced in May 2007. During July 2007, the District entered into a master extended purchase agreement for three years to replace computers throughout the District. In August 2007, the District purchased a sixteen-passenger school bus through a capital lease. The following table illustrates the changes and balances for all long-term debt. More detailed information on the District's debt is presented in the notes to the financial statements.

	<b>Governmental Activities</b>		<b>Total % Change</b>
	<b>2008</b>	<b>2007</b>	<b>2008 over 2007</b>
General Obligation Bonds	\$ 4,674,400	\$ 5,074,100	-7.88%
Compensated Absences	106,116	91,653	15.78%
Capital Leases Payable	95,376	38,349	148.71%
<b>TOTAL LONG-TERM DEBT</b>	<b>\$ 4,875,892</b>	<b>\$ 5,204,102</b>	<b>-6.31%</b>

## SUMMARY OF FEDERAL SUPPORT OF THE DISTRICT

During fiscal year 2008, Hopkinton School District applied for and received the following Federal grants:

Title I, Early Reading Success, was awarded for the period 8/15/07, to 6/30/08, in the amount of \$55,527.83. This grant funded reading improvement programs in Harold Martin School and impacted students whose reading proficiency was significantly below grade level.

Title IIA, Class Size Reduction, was awarded for the period 11/9/07, to 6/30/09, in the amount of \$33,115.07. This grant funded professional development programs.

Title IV, Safe & Drug Free Schools, was awarded for the period 11/9/07, to 6/30/08, in the amount of \$2,987.23. This grant's objective was to offer a disciplined environment conducive to learning, by preventing violence in and around schools and strengthen programs that prevent the illegal use of alcohol, tobacco, and drugs. In meeting this objective we involve parents, and coordinate with related Federal, State, and community efforts and resources.

Title V, Innovative Programs, was awarded for the period 1/15/08 to 6/30/09, in the amount of \$1,449.04. This grant funded new enrichment programs.

Special Education, IDEA, was awarded for the period 8/24/07, to 6/30/08, in the amount of \$193,433. This grant funded special needs services for students throughout the District.

Special Education, Pre-School, was awarded for the period 8/24/07, to 6/30/08, in the amount of \$5,255.75. This grant funded special needs services for pre-school students within the District.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

At the time these financial statements were prepared, the District was aware of several circumstances that could affect its future financial health:

- ❑ Health Insurance rates increased by 4.9% for the 2008-09 school year. During the 2008-09 budget process, our carrier gave us an estimate for an increase of 7.9%. Since the rates were not as much as anticipated, we will have a savings.
- ❑ During the 2008-09 budget process, the District budgeted a significantly lower per gallon cost for heating oil which could yield the District at least a \$70,000 shortfall. The District will be looking at ways to reduce the number of gallons used during the 08-09 heating season to help offset this shortfall.
- ❑ The uncertainty of state funding can have a profound impact on the financial health of the District. As most are aware, we entered District meeting this year without firm numbers for anticipated state revenue. Until the state can determine the best method for funding education, this uncertainty is expected to continue.

### **FUTURE BUDGETARY IMPLICATIONS**

In New Hampshire, the public school fiscal year is July 1-June 30; other programs, i.e., some federal budgets, operate on a different fiscal calendar but are reflected in the District overall budget as they impact on the District.

The District is aware of changes to the NH Retirement System that will impact the District's contribution starting in the 2009-10 budget. At the time of this report, the new rates were not available. We are also aware of potential reductions in State and Medicaid funding that will impact as early as next year.

Significant Board action that impacts finances in the future includes:

Bargaining unit negotiations with The Hopkinton Education Association, Hopkinton Educational Support Staff and Teamsters Local No. 633 whose current contracts expire on June 30, 2009.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact Dr. Brian J. Blake, Superintendent, or Michelle R. Clark, RSBO, Business Administrator, at (603) 746-5186 or by mail at:

Hopkinton School District  
ATTN: Michelle R. Clark, RSBO  
204 Maple Street  
Contoocook, NH 03229

## BASIC FINANCIAL STATEMENTS

**EXHIBIT A**  
**HOPKINTON SCHOOL DISTRICT**  
**Statement of Net Assets**  
**30-Jun-08**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$537,890
Due from other governmental units	455,166
Other receivables	26,480
Prepaid expense	47,543
Capital assets, not being depreciated:	
Land	49,270
Capital assets, net of applicable accumulated depreciation:	
Land improvements	74,396
Buildings and building improvements	11,227,700
Machinery and equipment	195,227
Infrastructure	28,499
Total Assets	<u>\$12,642,171</u>
<b>LIABILITIES</b>	
Accounts payable	97,446
Accrued salaries and benefits	29,800
Accrued interest payable	73,710
Unearned revenue	17,082
Noncurrent obligations:	
Due within one year:	
Bonds	479,700
Capital lease	9,643
Compensated absences	10,616
Due in more than one year:	
Bonds	4,194,700
Capital lease	85,733
Compensated absences	95,500
Total Liabilities	<u>5,093,930</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	6,847,828
Unrestricted	700,413
Total Net Assets	<u>\$7,548,241</u>

The notes to the basic financial statements are an integral part of this statement.

**EXHIBIT B**  
**HOPKINTON SCHOOL DISTRICT**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2008**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Instruction	\$8,978,260	\$109,892	\$612,509		(\$8,255,859)
<b>Support services:</b>					
Student	978,420				(978,420)
Instructional staff	899,671		42,518		(857,153)
General administration	56,045				(56,045)
Executive administration	406,988				(406,988)
School administration	732,136				(732,136)
Business	197,089				(197,089)
Operation and maintenance of plant	1,339,075				(1,339,075)
Student transportation	468,531		4,266		(464,265)
Non-instructional services	392,517	255,889	77,847		(58,781)
Interest on long-term debt	125,187			153,259	28,072
Facilities acquisition and construction	47,426		865		(46,561)
<b>Total governmental activities</b>	<b>\$14,621,345</b>	<b>\$365,781</b>	<b>\$738,005</b>	<b>\$153,259</b>	<b>(\$13,364,300)</b>
<b>General revenues:</b>					
School district assessment					9,696,525
Grants and contributions not restricted to specific programs					3,689,295
Interest					64,628
Miscellaneous					52,377
<b>Total general revenues</b>					<b>13,502,825</b>
Change in net assets					138,525
Net assets, beginning					7,409,716
<b>Net assets, ending</b>					<b>\$7,548,241</b>

The notes to the basic financial statements are an integral part of this statement.

**EXHIBIT C - 1**  
**HOPKINTON SCHOOL DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
**30-Jun-08**

	General	Grants	Capital Reserve	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$537,890	\$	\$	\$	\$537,890
Receivables:					
Accounts	9,404			717	10,121
Intergovernmental	50,956	105,019	293,882	5,309	455,166
Other	15,359			1,000	16,359
Interfund receivable	102,575			16,159	118,734
Prepaid expense	104,913				104,913
Total Assets	<u>\$821,097</u>	<u>\$105,019</u>	<u>\$293,882</u>	<u>\$23,185</u>	<u>\$1,243,183</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$97,119	\$243	\$	\$84	\$97,446
Accrued salaries and benefits	28,166	1,634			29,800
Interfund payable		103,142	9,650	5,942	118,734
Deferred revenue	146			16,936	17,082
Total Liabilities	<u>\$125,431</u>	<u>\$105,019</u>	<u>\$9,650</u>	<u>\$22,962</u>	<u>\$263,062</u>
Fund balances:					
Reserved for encumbrances	75,358			223	75,581
Reserved for special purposes	50,000		284,232		334,232
Unreserved, undesignated, reported in general fund	570,308				570,308
Total Fund Balances	<u>695,666</u>	<u></u>	<u>284,232</u>	<u>223</u>	<u>980,121</u>
Total Liabilities and Fund Balances	<u>\$821,097</u>	<u>\$105,019</u>	<u>\$293,882</u>	<u>\$23,185</u>	<u>\$1,243,183</u>

The notes to the basic financial statements are an integral part of this statement.

**EXHIBIT C - 2**  
**HOPKINTON SCHOOL DISTRICT**  
**Reconciliation of Total Governmental Fund Balances**  
**to the Statement of Net Assets**  
**30-Jun-08**

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Total fund balances of governmental funds (Exhibit C - 1)		\$980,121
Amounts reported for governmental activities in the statement of activities are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost	\$17,763,999	
Less accumulated depreciation	<u>(6,188,907)</u>	11,575,092
Interfund receivables and payables between governmental funds are eliminated on the statement of net assets.		
Receivables	(\$118,734)	
Payables	<u>118,734</u>	-
Payments on long-term debt not due in current year are shown as prepaid items in the governmental funds, but reduce liabilities in the government-wide statements.		(57,370)
Interest on long-term debt is not accrued in governmental funds.		(73,710)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Bonds	\$4,674,400	
Capital leases	95,376	
Compensated absences	<u>106,116</u>	(4,875,892)
Net assets of governmental activities (Exhibit A)		<u><u>\$7,548,241</u></u>

The notes to the basic financial statements are an integral part of this statement.



**EXHIBIT C - 3**  
**HOPKINTON SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2008**

	General	Grants	Capital Reserve	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
School district assessment	\$9,696,525	\$	\$	\$	\$9,696,525
Other local	216,782		12,873	276,324	505,979
State	4,078,643			4,412	4,083,055
Federal	94,948	305,909		73,435	474,292
Total Revenues	<u>\$14,086,898</u>	<u>\$305,909</u>	<u>\$12,873</u>	<u>\$354,170</u>	<u>\$14,759,850</u>
<b>EXPENDITURES</b>					
Current:					
Instruction	8,685,425	264,610		21,327	8,971,362
Support services:					
Student	978,420				978,420
Instructional staff	899,413	41,299		1,219	941,931
General administration	56,045				56,045
Executive administration	400,561				400,561
School administration	715,966				715,966
Business	194,962				194,962
Operation and maintenance of plant	1,017,955				1,017,955
Student transportation	522,836				522,836
Non-instructional				384,333	384,333
Debt service:					
Principal	399,700				399,700
Interest	146,341				146,341
Facilities acquisition and construction	232,361		9,650	865	242,876
Total Expenditures	<u>14,249,985</u>	<u>305,909</u>	<u>9,650</u>	<u>407,744</u>	<u>14,973,288</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(163,087)</u>		<u>3,223</u>	<u>(53,574)</u>	<u>(213,438)</u>
Other financing sources (uses):					
Capital leases	168,351				168,351
Excess cash received in bond refinancing	20				20
Transfer in	135,419		50,000	53,576	238,995
Transfers out	(103,576)		(135,419)		(238,995)
Total other financing sources and uses	<u>200,214</u>		<u>(85,419)</u>	<u>53,576</u>	<u>168,371</u>
Net change in fund balances	37,127		(82,196)	2	(45,067)
Fund balances, beginning	658,539		366,428	221	1,025,188
Fund balances, ending	<u>\$695,666</u>	<u>\$</u>	<u>\$284,232</u>	<u>\$223</u>	<u>\$980,121</u>

The notes to the basic financial statements are an integral part of this statement.

**EXHIBIT C - 4**  
**HOPKINTON SCHOOL DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2008**

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Net change in fund balances - total governmental funds (Exhibit C - 3)			(\$45,067)
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.			
Capital outlay	\$250,067		
Depreciation expense	(368,040)		
		(117,973)	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the government funds:			
Loss on sale of capital assets			(994)
Transfers in and out between governmental funds are eliminated on the operating statement.			
Transfers in	(238,995)		
Transfers out	238,995		
Issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets.			
Capital lease inception			(168,351)
Payments on long-term debt not due in the current year are shown as prepaid items in the governmental funds, but reduce liabilities in the government-wide statements.			
Current year amount	(57,370)		
Prior year amount	10,565		
		(46,805)	
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.			
Repayment of bond principal	399,700		
Repayment of capital lease principal	111,324		
		511,024	
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds.			
Accrued interest expense decrease	21,154		
Compensated absences increase	(14,463)		
		6,691	
Change in net assets of governmental activities (Exhibit B)			<u>\$138,525</u>

The notes to the basic financial statements are an integral part of this statement.

**EXHIBIT D - 1**  
**HOPKINTON SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Assets**  
**30-Jun-08**

	Private Purpose Trust	Agency
<b>ASSETS</b>		
Cash and cash equivalents	\$15,574	\$160,404
<b>LIABILITIES</b>		
Due to student groups	\$	\$143,936
Due to Others		16,468
	\$	\$160,404
<b>NET ASSETS</b>		
Held in trust for educational purpose	\$15,574	\$

The notes to the basic financial statements are an integral part of this statement.

**EXHIBIT D - 2**  
**HOPKINTON SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Assets**  
**For the Year Ended June 30, 2007**

	Private Purpose Trust
Additions:	
Interest	\$214
Deductions:	
Miscellaneous	2,820
Changes in net assets	(2,606)
Net assets, beginning	11,080
Net assets, ending	\$8,474

The notes to the basic financial statements are an integral part of this statement.

**HOPKINTON SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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**HOPKINTON SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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

The financial statements of the Hopkinton School District (School District) have been prepared in conformity with U. S. generally accepted accounting principles (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The more significant of the School District's accounting policies are described below.

***1 - A Reporting Entity***

The School District is a municipal corporation governed by a 5-member board elected by the voters of the School District. The reporting entity is comprised of the primary government and any other organizations that are included to ensure that the financial statements are not misleading.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Based on the foregoing criteria, no other organizations are included in the School District's financial reporting entity.

***1 - B Basis of Presentation***

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities; and fund financial statements, which provide a more detailed level of financial information.

***Government-wide Financial Statements*** – The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the School District as a whole. Fiduciary activities are not included at the government-wide reporting level. Individual funds are not displayed at this reporting level as all individual governmental funds are consolidated.

The statement of net assets presents the financial position of the governmental activities of the School District at year-end. This statement includes all of the School District's assets, liabilities and net assets.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with the function and therefore, clearly identifiable to that particular function. The School District does not allocate indirect expenses to functions in the statement of activities.

The statement of activities reports the expenses of a given function offset by program revenues directly related to the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with the distinct functional activity. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District. Program revenues include: (1) charges for services, which include tuition, fees, and other charges to users of the School District's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which finance the acquisition, construction or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to the program uses.

For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which functions the revenues are *restricted*. The school district assessment from the town, unrestricted state aid and other revenue sources not properly included among program revenues are reported as general revenue of the School District.

**HOPKINTON SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**Fund Financial Statements** – During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is a fiscal and accounting entity with a self-balancing set of accounts. Fund financial statements are designed to present financial information of the School District at this more detailed level. Fund financial statements are provided for governmental and fiduciary funds, although the latter are excluded from the government-wide financial statements.

Major individual governmental funds are reported as separate columns in the fund financial statements with composite columns for non-major funds. Fiduciary funds are reported by type.

**Fund Accounting** – The School District uses funds to maintain its financial records during the year. The School District uses two categories of funds: governmental and fiduciary.

**Governmental Funds** – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The School District reports the difference between governmental fund assets and liabilities as fund balance. The following are the School District's major governmental funds:

**General Fund** – The General Fund is the general operating fund of the School District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. This fund accounts for general operating expenditures, fixed charges, and the capital improvement costs that are not reported in other funds.

**Grants Fund** – This fund accounts for the School District's State and Federal grant programs.

**Capital Reserve Fund** – This fund accounts for the School District's legally established fund for future maintenance and renovation costs as well as special education costs.

**Fiduciary Funds** – Fiduciary fund reporting focuses on net assets. The School District's fiduciary funds consist of private purpose trust and agency funds. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

#### ***1 - C Measurement Focus***

**Government-wide Financial Statements** – The government-wide financial statements are reported using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities reports revenues, expenses and changes in net assets.

**Governmental Fund Financial Statements** – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (I.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

**Fiduciary Fund Financial Statements** – Fiduciary Fund Financial Statements include a Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. The Fiduciary Funds of the School District are as follows:

**Sue Piskinski Trust Fund** – This fund was established to receive contributions for teacher and student scholarships.

**School Agency Funds** – These funds are obtained by fundraising events and donations for school activities.

#### ***1 - D Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, governmental funds use the modified accrual basis of accounting, and fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of some deferred revenue, and in the presentation of expenses versus expenditures.

**HOPKINTON SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**Revenues – Exchange Transactions** – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year, generally within sixty days of year-end.

**Revenues – Non-exchange Transactions** – Nonexchange transactions in which the School District receives value without directly giving equal value in return, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all grantor imposed eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions also must be available before it can be recognized, generally within sixty days of year-end.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: the school district assessment from the town, tuition, interest and federal and state grants.

**Deferred Revenue** – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met (e.g., cash advances) are recorded as deferred revenue. On the government-wide statements, these liabilities are reported as unearned revenue.

Although the School District does not levy property taxes, the town levies property taxes on behalf of the School District (school district assessment).

**Expenses/Expenditures** – On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

**1 – E Assets, Liabilities and Net Assets or Fund Equity**

**1 – E – 1 Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the School District.

New Hampshire statutes require that the School District treasurer have custody of all moneys belonging to the District and pay out the same only upon orders of the School Board. The treasurer shall deposit all such moneys in participation units in the public deposit investment pool established pursuant to N.H. RSA 383:22 or in solvent banks in the state. Funds may be deposited in banks outside the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

**1 – E – 2 Interfund Balances**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental activities column of the statement of net assets.



**HOPKINTON SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**1 – E – 3 Capital Assets**

General capital assets are those assets of a capital nature which the School District owns. These assets generally result from expenditures in governmental funds. The School District reports these assets in the governmental activities column of the government-wide statement of net assets and does not report them in the governmental fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000 and more than one year of estimated useful life. Improvements to capital assets are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed.

All reported capital assets are depreciated over these estimated useful lives. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Years</u>
Land improvements	20
Buildings and building improvements	50 – 75
Machinery and equipment	5 – 20
Infrastructure	20

**1 – E – 4 Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered, and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. All compensated absence liabilities include salary-related payments, where applicable.

The total compensated absence liability is reported on the government-wide financial statements. Governmental funds report the compensated absence liability at the fund reporting level only "when due."

**1 – E – 5 Accrued Liabilities and Long-term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of these funds. However, claims and judgments, and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year.

**1 – E – 6 Fund Equity**

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Equity for all other reporting is classified as "net assets."

**Fund Balance** – Generally, fund balance represents the difference between the current assets and current liabilities. The School District reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods.

**Net Assets** – Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for acquisition, construction or improvement of those assets. All other net assets are reported as unrestricted.

**HOPKINTON SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**1 – E – 7 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 2 – DETAILED NOTES ON ALL FUNDS AND GOVERNMENT-WIDE STATEMENTS**

**2 – A Receivables**

Receivables at June 30, 2008, consisted of accounts (tuition, refunds, overpayments) and intergovernmental receivables arising from medicaid reimbursements, grants, overpayments and the trust funds being in the custody of the Town of Hopkinton Trustee of Trust Funds.

Receivables are recorded on the School District's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation and collectibility.

**2 – B Capital Assets**

Capital asset activity for the year ended June 30, 2008 was as follows

	<u>Balance, beginning</u>	<u>Changes</u>	<u>Balance, Ending</u>
Governmental activities			
At cost:			
Not being depreciated:			
Land	\$ 49,270	\$	\$ 49,270
Being depreciated:			
Land improvements	498,500		498,500
Buildings and building improvements	16,432,734	195,450	16,628,184
Machinery and equipment	490,428	49,317	539,745
Infrastructure	48,300		48,300
Total capital assets being depreciated	<u>17,469,962</u>	<u>244,767</u>	<u>17,714,729</u>
Total all capital assets	<u>17,519,232</u>	<u>244,767</u>	<u>17,763,999</u>
Less accumulated depreciation:			
Land improvements	(407,597)	(16,507)	(424,104)
Buildings and building improvements	(5,086,083)	(314,401)	(5,400,484)
Machinery and equipment	(312,642)	(31,876)	(344,518)
Infrastructure	(18,851)	(950)	(19,801)
Total accumulated depreciation	<u>(5,825,173)</u>	<u>(363,734)</u>	<u>(6,188,907)</u>
Net book value, capital assets being depreciated	<u>11,644,789</u>	<u>(118,967)</u>	<u>11,525,822</u>
Net book value, all capital assets	<u>\$ 11,694,059</u>	<u>\$ (118,967)</u>	<u>\$ 11,575,092</u>

Depreciation expense was charged to functions of the government as follows:

Governmental activities:	
Instruction	\$ 6,898
Support services:	
Instructional staff	675
Executive administration	3,357
School administration	7,747
Operation and maintenance of plant	333,457
Student transportation	7,722
Non-instructional services	8,184
Total depreciation expense	<u>\$ 368,040</u>

**HOPKINTON SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**2 – C Interfund Balances and Transfers**

Interfund receivable and payable at June 30, 2008 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Grant Fund	\$ 86,983
General Fund	Expendable Trust Fund	9,650
General Fund	Nonmajor Governmental Fund	5,942
Nonmajor Governmental Fund	Grant Fund	16,159
Total		<u>\$ 118,734</u>

The outstanding balances between funds result mainly from the time lag between the dates that (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.

Interfund transfers during the year ended June 30, 2008 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 135,419	\$ 103,576
Expendable trust fund	50,000	135,419
Nonmajor governmental funds:		
Food service	50,377	
Other	3,199	
Totals	<u>\$ 238,995</u>	<u>\$ 238,995</u>

**2 – D Long-Term Liabilities**

Changes in the School District's long-term obligations consisted of the following for the year ended June 30, 2008:

	<u>General Obligation Bonds Payable</u>	<u>Capital Lease Payable</u>	<u>Compensated Absences Payable</u>	<u>Total</u>
Balance, beginning	\$ 5,074,100	\$ 38,349	\$ 91,653	\$ 5,204,102
New		168,351		168,351
Retired	(399,700)	(111,324)		(511,024)
Net increase in compensated absences payable			14,463	14,463
Balance, ending	<u>\$ 4,674,400</u>	<u>\$ 95,376</u>	<u>\$ 106,116</u>	<u>\$ 4,875,892</u>
Current portion	<u>\$ 479,700</u>	<u>\$ 9,643</u>	<u>\$ 10,616</u>	<u>\$ 499,959</u>

**HOPKINTON SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

Long-term liabilities payable at June 30, 2008, are as comprised of the following:

	<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate %</u>	<u>Outstanding At June 30, 2008</u>	<u>Current Portion</u>
General obligation bonds payable:						
Roof	\$ 548,500	2004	2010	3.0	\$ 219,400	\$ 109,700
Refinance of 1997 Bond	\$ 4,745,000	2007	2018	3.5 – 5.0	<u>4,455,000</u>	<u>370,000</u>
					\$ 4,674,400	\$ 479,700
Capital lease:						
School Bus	\$ 53,475	2005	2010	5.21	11,224	
Copiers	\$ 16,458	2007	2010	10.0	5,468	
Computers	\$ 127,551	2007	2010	1.825	42,512	
School Bus	\$ 40,800	2007	2012	5.506	<u>36,172</u>	<u>9,643</u>
					\$ 95,376	\$ 9,643
Compensated absence payable:						
Vested earned time					<u>106,116</u>	<u>10,616</u>
Total long-term debt					<u>\$ 4,875,892</u>	<u>\$ 499,959</u>

The annual requirements to amortize both general obligation bonds outstanding as of June 30, 2008, including interest payments, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 479,700	\$ 183,135	\$ 662,835
2010	494,700	164,680	659,380
2011	400,000	147,325	547,325
2012	415,000	131,025	546,025
2013	430,000	114,413	544,413
2014- 2018	<u>2,455,000</u>	<u>285,550</u>	<u>2,740,550</u>
Totals	<u>\$ 4,674,400</u>	<u>\$ 1,026,128</u>	<u>\$ 5,700,528</u>

The annual requirements to amortize the capital lease payable as of June 30, 2008, including interest payments, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 9,643	\$ 1,861	\$ 11,504
2010	69,385	3,254	72,639
2011	10,750	754	11,504
2012	<u>5,598</u>	<u>154</u>	<u>5,752</u>
Totals	<u>\$ 95,376</u>	<u>\$ 6,023</u>	<u>\$ 101,399</u>

All debt is general obligation debt of the District, which is backed by its full faith and credit, and will be repaid from general governmental revenues.

**HOPKINTON SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**2 – E Prior Years’ Debt Defeasance**

In prior years, the School District defeased the 1997 bond issue by refinancing in the 2006/07 school year. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in an account. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposed, the debt has been considered defeased and therefore removed as a liability from the School District’s government-wide financial statements. As of June 30, 2008, the amount of the defeased debt outstanding amounted to \$6,043,743.

**NOTE 3 – OTHER INFORMATION**

**3 – A Pensions**

**New Hampshire Retirement System** – The School District participates in the New Hampshire Retirement System (the System) which is the administrator of a cost-sharing multiple-employer contributory pension plan and trust established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401 (a) and 501 (a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Provision for benefits and contributions are established and can be amended by the New Hampshire State Legislature. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

The System is financed by contributions from both the employees and the School District. Member contribution rates are established and may be amended by the State Legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees are required to contribute 5% of earnable compensation. For fiscal year 2008, the School District contributed 5.80% for teachers and 8.74% for other employees. The contribution requirements for the Hopkinton School District for the fiscal years 2006, 2007 and 2008 were \$311,699, \$320,340 and \$491,151 respectively, which were paid in full in each year.

The State of New Hampshire funds 35% of employer costs for teachers employed by the School District. This amount, \$196,415, is reported as an “on-behalf payment,” as an expenditure and revenue on the governmental funds statement of revenues, expenditures and changes in fund balances, and as an expense and revenue on the statement of activities.

**3 – B Risk Management**

The School District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2008, the School District was a member of the Local Government Center (LGC) Workers’ Compensation and Property/Liability Programs which are pooled risk management programs under RSAs 5 – B and 281 – A. The workers’ compensation and employer’s liability policy provides statutory coverage for workers’ compensation and up to \$2,000,000 of employer’s liability coverage. LGC retained \$500,000 of each workers’ compensation and liability loss, and \$200,000 of each property loss. The combined liability package includes coverage for property, auto, liability, errors and omissions, crime, and boiler and machinery. The membership and coverage ran from July 1 through June 30. The estimated net contribution from the Hopkinton School District billed and paid for the year ended June 30, 2008 was \$29,775 for property/liability and \$28,203 for workers’ compensation. The member participation agreements permit LGC to make additional assessments to members, should there be a deficiency in contributions for any member year, not to exceed the member’s annual contribution. At this time, LGC forsees no likelihood of any additional assessments for this or any prior year.

**HOPKINTON SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**3 – C Contingent Liabilities**

**Grants** – The School District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement from the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the School District believes such disallowances, if any, will be immaterial.

**Litigation** – There are various claims and suits pending against the School District which arose in the normal course of the School District's activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect on the financial position of the School District.

## REQUIRED SUPPLEMENTARY INFORMATION

**EXHIBIT E - 1**  
**HOPKINTON SCHOOL DISTRICT**  
General Fund  
Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
School district assessment	\$9,696,525	\$9,696,525	\$9,696,525	\$
Other local	187,000	187,000	216,782	(29,782)
State	3,885,239	3,885,239	3,882,228	3,011
Federal	74,000	74,000	94,948	(20,948)
Total Revenues	<u>\$13,842,764</u>	<u>\$13,842,764</u>	<u>\$13,890,483</u>	<u>(\$47,719)</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	8,829,959	8,738,829	8,494,812	244,017
Support services:				
Student	967,949	987,739	978,216	9,523
Instructional staff	811,855	857,072	787,697	69,375
General administration	101,120	106,164	56,045	50,119
Executive administration	413,344	408,091	406,009	2,082
School administration	736,300	735,615	715,310	20,305
Business	206,472	196,866	194,962	1,904
Operation and maintenance of plant	1,082,042	1,082,042	1,045,015	37,027
Student transportation	505,503	488,551	487,778	773
Debt service:				
Principal	434,700	434,700	399,700	35,000
Interest and other costs	180,733	180,733	144,718	36,015
Facilities acquisition and construction	315,938	315,938	228,990	86,948
Total Expenditures	<u>14,585,915</u>	<u>14,532,340</u>	<u>13,939,252</u>	<u>593,088</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(743,151)</u>	<u>(689,576)</u>	<u>(48,769)</u>	<u>640,807</u>
Other financing sources (uses):				
Excess cash received from bond refinancing			20	20
Transfers in	155,938	155,938	135,419	(20,519)
Transfers out	(50,001)	(103,576)	(103,576)	
Total other financing sources and uses	<u>105,937</u>	<u>52,362</u>	<u>31,863</u>	<u>(20,499)</u>
Net change in fund balances	<u>(\$637,214)</u>	<u>(\$637,214)</u>	<u>(16,906)</u>	<u>\$620,308</u>
Unreserved fund balance, beginning			<u>587,214</u>	
Unreserved fund balance, ending			<u>\$570,308</u>	

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



**EXHIBIT E - 2**  
**HOPKINTON SCHOOL DISTRICT**  
**Grants Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual (GAAP Basis)**  
**For the Fiscal Year Ended June 30, 2008**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Federal	\$300,000	\$305,909	(\$5,909)
	\$300,000	\$305,909	(\$5,909)
<b>EXPENDITURES</b>			
Current:			
Instruction	258,701	264,610	(5,909)
Support services:			
Instructional staff	41,299	41,299	0
Total Expenditures	300,000	305,909	(5,909)
Excess (deficiency) of revenues over (under) expenditures			
Fund balances, beginning			
Fund balances, ending	\$	\$	\$

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

**HOPKINTON SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2008**

***Budgetary Information***

General Budget Policies.....	1
Budget/GAAP Reconciliation.....	2
Excess of Expenditures over Appropriations.....	3

**HOPKINTON SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2008**

***Budgetary Information***

**1. General Budget Policies**

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the School District's operations. Annually, the School Board adopts a budget for the general and grant funds, as well as the non-major food service fund. Except as reconciled below, the budget was adopted on a basis consistent with U.S. generally accepted accounting principles.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrances accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures and are therefore reported as part of the fund balance at June 30, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets, but provide for the use of beginning unreserved fund balance to achieve that end. In the fiscal year, 2008, \$637,214 of the beginning general fund fund balance was applied for this purpose.

**2. Budget/GAAP Reconciliation**

The following reconciles the general fund budgetary basis to the GAAP basis.

Revenues and other financing sources:	
Per Exhibit E – 1 (budgetary basis)	\$ 14,025,922
Adjustments:	
Basis difference:	
Capital Lease	168,351
On-behalf retirement contributions payments made by the State of New Hampshire recognized as revenue on the GAAP basis, but not on the budgetary basis	<u>196,415</u>
Per Exhibit C – 3 (GAAP basis)	<u>\$ 14,390,688</u>
Expenditures and other financing uses:	
Per Exhibit E – 1 (budgetary basis)	\$ 14,042,828
Adjustments:	
Basis difference:	
Encumbrances, beginning	21,325
Encumbrances, ending	(75,358)
Capital Lease	168,351
On-behalf retirement contributions payments made by the State of New Hampshire recognized as expenditures on the GAAP basis, but not on the budgetary basis	<u>196,415</u>
Per Exhibit C – 3 (GAAP basis)	<u>\$ 14,353,561</u>

**3. Excess of Expenditures Over Appropriations**

The Grants Fund had an excess of expenditures over appropriations in the amount of \$5,909. This was due to the receipt and expenditure of unanticipated funds.

**SCHEDULE 1**  
**HOPKINTON SCHOOL DISTRICT**  
Major General Fund  
Schedule of Estimated and Actual Revenues - (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2008

	Estimated Revenues	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$9,696,525	\$9,696,525	\$
Other local sources:			
Tuition	58,000	95,089	37,089
Pupil activities	15,000	14,803	(197)
Investment earnings	60,000	51,755	(8,245)
Rentals		656	656
Miscellaneous	54,000	54,479	479
Total other local sources	187,000	216,782	29,782
State sources:			
Adequacy aid (grant)	2,116,855	2,116,855	
Adequacy aid (tax)	1,551,659	1,551,659	
School building aid	153,259	153,259	
Catastrophic aid	36,196	35,639	(557)
Vocational aid	2,270	4,266	1,996
Driver education	25,000	20,550	(4,450)
Total state sources	3,885,239	3,882,228	(3,011)
Federal sources:			
Medicaid prescriptions	23,000	20,781	(2,219)
Medicaid	51,000	74,167	23,167
Total federal sources	74,000	94,948	20,948
Other financing sources:			
Excess cash received from bond refinancing		20	20
Transfers in	155,938	135,419	(20,519)
Total other financing sources	155,938	135,439	(20,499)
Total revenues and other financing sources	\$13,998,702	\$14,025,922	\$27,220
Use of fund balance to reduce school district assessment	637,214		
Total revenues, other financing sources and use of fund balance	\$14,635,916		

**SCHEDULE 2  
HOPKINTON SCHOOL DISTRICT**

Major General Fund

Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2008

	Encumbered From 2006-2007	Appropriations 2007-2008	Expenditures Net of Refunds	Encumbered To 2008-2009	Variance Positive (Negative)
<b>Current:</b>					
<b>Instruction:</b>					
Regular programs	\$1,493	\$6,455,813	\$6,231,139	\$6,017	\$220,150
Special programs	250	1,970,878	1,964,541	1,258	5,329
Vocational programs		9,124	9,003		121
Other		303,014	284,327	270	18,417
<b>Total instruction</b>	<b>\$1,743</b>	<b>\$8,738,829</b>	<b>\$8,489,010</b>	<b>\$7,545</b>	<b>\$244,017</b>
<b>Support services:</b>					
Student	255	987,739	978,420	51	9,523
Instructional staff	2,395	857,072	771,862	18,230	69,375
General administration		106,164	56,045		50,119
Executive administration		408,091	400,561	5,448	2,082
School administration	895	735,615	715,966	239	20,305
Business		196,866	194,962		1,904
Operation and maintenance of plant	11,043	1,082,042	1,017,955	38,103	37,027
Student transportation		488,551	482,036	5,742	773
<b>Total support services</b>	<b>14,588</b>	<b>4,862,140</b>	<b>4,617,807</b>	<b>67,813</b>	<b>191,108</b>
<b>Facilities acquisition and construction</b>	<b>3,371</b>	<b>315,938</b>	<b>232,361</b>		<b>86,948</b>
<b>Debt service:</b>					
Principal		434,700	399,700		35,000
Interest and other costs	1,623	180,733	146,341		36,015
<b>Total debt service</b>		<b>615,433</b>	<b>546,041</b>		<b>71,015</b>
<b>Other financing uses:</b>					
Transfers out		103,576	103,576		
<b>Total appropriations, expenditures and encumbrances</b>	<b>\$21,325</b>	<b>\$14,635,916</b>	<b>\$13,988,795</b>	<b>\$75,358</b>	<b>\$593,088</b>

**SCHEDULE 3**  
**HOPKINTON SCHOOL DISTRICT**  
**Major General Fund**  
**Schedule of Changes in Unreserved - Undesignated Fund Balance (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2007**

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Unreserved, undesignated fund balance, beginning		\$328,500
Changes:		
Unreserved fund balance used to reduce 2006-2007 school district assessment		(428,500)
2006-2007 Budget summary:		
Revenue surplus (Schedule 1)	101,601	
Unexpended balance of appropriations (Schedule 2)	536,092	
2006-2007 Budget surplus		637,693
Decrease in Resaerved for Specific Purpose		<u>50,000</u>
Unreserved, undesignated fund balance, ending	\$	<u>587,693</u>

**SCHEDULE 4**  
**HOPKINTON SCHOOL DISTRICT**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**30-Jun-08**

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Food Service	Other	
<b>ASSETS</b>			
Receivables:			
Account	\$717	\$	\$717
Intergovernmental	5,309		5,309
Other		1,000	1,000
Interfund receivable		16,159	16,159
Total assets	<u>\$6,026</u>	<u>\$17,159</u>	<u>\$23,185</u>
<b>LIABILITIES</b>			
Accounts payable	\$84	\$	\$84
Interfund payable	5,942		5,942
Deferred revenue		16,936	16,936
Total liabilities	<u>6,026</u>	<u>16,936</u>	<u>22,962</u>
<b>FUND BALANCE</b>			
Reserved for encumbrance		223	223
Total liabilities and fund balance	<u>\$6,026</u>	<u>\$17,159</u>	<u>\$23,185</u>

**SCHEDULE 5**  
**HOPKINTON SCHOOL DISTRICT**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**For the Year Ended June 30, 2008**

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Food Service	Other	
<b>REVENUES</b>			
Local	\$255,889	\$20,435	\$276,324
State	4,412		4,412
Federal	73,435		73,435
Total revenues	<u>333,735</u>	<u>20,435</u>	<u>354,170</u>
<b>EXPENDITURES</b>			
Current:			
Instruction		21,327	21,327
Support services:			
Instructional staff		1,219	1,219
Non-instructional services	384,333		384,333
Facilities acquisition and construction		865	865
Total expenditures	<u>384,333</u>	<u>23,411</u>	<u>407,744</u>
Deficiency of revenues under expenditures	(50,598)	(2,976)	(53,574)
Other financing sources:			
Transfers in	<u>50,377</u>	<u>3,199</u>	<u>53,576</u>
Net change in fund balances	(221)	223	2
Fund balances, beginning	221		221
Fund balances, ending	<u>\$</u>	<u>\$223</u>	<u>\$223</u>



**SCHEDULE 6**  
**HOPKINTON SCHOOL DISTRICT**  
**Agency Funds**  
**Statement of Changes in Student Activities Funds**  
**For the Year Ended June 30, 2008**

SCHOOL	Balance, <u>beginning</u>	<u>Additions</u>	<u>Deductions</u>	Balance, <u>ending</u>
Hopkinton High School	\$89,194	\$353,313	\$326,953	\$115,554
Maple Street School	7,226	24,477	22,007	9,696
Harold Martin School	<u>14,965</u>	<u>21,590</u>	<u>17,869</u>	<u>18,686</u>
Totals	<u>\$111,385</u>	<u>\$399,380</u>	<u>\$366,829</u>	<u>\$143,936</u>