TOWN OF HILLSBOROUGH, NEW HAMPSHIRE

FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2019

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TABLE OF CONTENTS

Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Selectmen
Town of Hillsborough
Hillsborough, New Hampshire

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Hillsborough, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town'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. 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.

Basis for Adverse Opinion on Governmental Activities

As discussed in Note I.B.3. to the financial statements, management has not determined its liability for postemployment benefits other than pensions (OPEB) in governmental activities. Accounting principles generally accepted in the United States of America require that management recognize OPEB expense for the required contributions and a liability for unpaid required contributions, which would increase the liabilities, decrease net position, and increase expenses of the governmental activities. The amount by which this departure would affect the liabilities, deferred inflows and outflows of resources, net position, and expenses of the governmental activities is not reasonably determinable.

Also, as discussed in Note I.B.3., management has not recorded its capital assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those assets be capitalized and depreciated, which would increase the

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assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matters discussed in the "Basis for Adverse Opinion on Governmental Activities" paragraphs, the financial statements referred to above do not present fairly the financial position of the governmental activities of the Town of Hillsborough, as of December 31, 2019, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Opinions

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of the Town of Hillsborough, as of December 31, 2019, and the respective changes in financial position thereof and budgetary comparisons of the major funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the pension information on pages 33-35 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. 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.

The Town of Hillsborough has not presented a management's discussion and analysis. Accounting principles generally accepted in the United States of America have determined that the management's discussion and analysis is necessary to supplement, but is not required to be part of, the basic financial statements.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hillsborough's basic financial statements. The combining nonmajor and individual general fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. They 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 and individual general fund schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

December 14, 2020

Roberts & Greene, PLLC

BASIC FINANCIAL STATEMENTS

EXHIBIT 1
TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
Statement of Net Position
December 31, 2019

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 8,200,383
Investments	3,434,744
Intergovernmental receivable	42,915
Other receivables, net of allowance for uncollectibles	3,049,326
Prepaid items	17,238
Tax deeded property held for resale	122,890
Total assets	14,867,496
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pensions	475,144
LIABILITIES	
Accounts payable	158,368
Accrued payroll and benefits	117,897
Accrued interest payable	44,666
Intergovernmental payable	5,419,747
Performance and escrow deposits	33,613
Other current liabilities	41
Noncurrent obligations:	
Due within one year:	
Bonds and notes payable	329,523
Unamortized bond premium	12,446
Capital leases payable	210,400
Compensated absences payable	4,366
Accrued landfill postclosure care costs	20,239
Due in more than one year:	
Bonds and notes payable	1,908,805
Unamortized bond premium	49,782
Capital leases payable	639,370
Compensated absences payable	234,381
Accrued landfill postclosure care costs	586,931
Net pension liability	3,477,452
Total liabilities	13,248,027
DEFERRED INFLOWS OF RESOURCES	
Unearned revenue	1,805
Deferred amounts related to pensions	117,510
Total deferred inflows of resources	119,315
NET POSITION	
Net investment in capital assets	(2,985,843)
Restricted for:	
Endowments:	
Nonexpendable	213,074
Expendable	564,520
Other purposes	2,382,928
Unrestricted	1,800,619
Total net position	$ 1,975,298

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

EXHIBIT 2
TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
Statement of Activities
For the Year Ended December 31, 2019

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities:					
General government	$ 1,039,408	$ 6,939	$ 347,464	$ -	$ (685,005)
Public safety	4,022,224	375,343	6,000	-	(3,640,881)
Highways and streets	1,567,009	-	-	201,433	(1,365,576)
Sanitation	1,071,591	1,093,602	126,032	-	148,043
Water distribution and treatment	307,940	723,792	13,830	-	429,682
Health	6,935	-	-	-	(6,935)
Welfare	155,715	-	-	-	(155,715)
Culture and recreation	577,219	48,351	4,291	-	(524,577)
Conservation	5,777	6,644	-	-	867
Interest on long-term debt	71,788	-	-	-	(71,788)
Capital outlay	917,175	-	-	-	(917,175)
Total primary government	$ 9,742,781	$ 2,254,671	$ 497,617	$ 201,433	(6,789,060)

General revenues:	
Property taxes	5,316,351
Other taxes	297,230
Licenses and permits	1,063,956
Grants and contributions not restricted to specific programs	451,238
Miscellaneous	(87,695)
Total general revenues	7,041,080
Change in net position	252,020
Net position, beginning	1,723,278
Net position, ending	$ 1,975,298

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

EXHIBIT 3
TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2019

	General	Water Department	Sewer Department	Permanent	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 5,939,258	$ 904,354	$ 1,205,638	$ 126,158	$ 24,975	$ 8,200,383
Investments	569,577	636,309	406,390	1,710,815	111,653	3,434,744
Receivables, net of allowance for uncollectibles:						
Taxes	2,275,782	-	-	-	-	2,275,782
Accounts	120,037	213,771	272,893	-	2,360	609,061
Intergovernmental	42,915	-	-	-	-	42,915
Interfund receivable	25,730	-	-	-	12,800	38,530
Prepaid items	17,238	-	-	-	-	17,238
Tax deeded property held for resale	122,890	-	-	-	-	122,890
Total assets	$ 9,113,427	$ 1,754,434	$ 1,884,921	$ 1,836,973	$ 151,788	$ 14,741,543
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 153,383	$ 2,709	$ 2,276	$ -	$ -	$ 158,368
Accrued salaries and benefits	113,676	1,886	2,335	-	-	117,897
Intergovernmental payable	5,419,747	-	-	-	-	5,419,747
Interfund payable	12,800	3,460	3,287	18,565	418	38,530
Escrow and performance deposits	29,524	-	4,089	-	-	33,613
Other current liabilities	41	-	-	-	-	41
Total liabilities	5,729,171	8,055	11,987	18,565	418	5,768,196
Deferred inflows of resources:						
Deferred revenue	1,976,027	356	765	-	-	1,977,148
Fund balances:						
Nonspendable	140,128	-	-	1,605,334	-	1,745,462
Restricted	564,520	-	-	213,074	-	777,594
Committed	541,104	1,746,023	1,872,169	-	151,370	4,310,666
Assigned	28,500	-	-	-	-	28,500
Unassigned	133,977	-	-	-	-	133,977
Total fund balances	1,408,229	1,746,023	1,872,169	1,818,408	151,370	6,996,199
Total liabilities, deferred inflows of resources, and fund balances	$ 9,113,427	$ 1,754,434	$ 1,884,921	$ 1,836,973	$ 151,788	$ 14,741,543

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

EXHIBIT 4
TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
Reconciliation of Total Fund Balances of Governmental Funds to the Statement of Net Position
December 31, 2019

Total fund balances of governmental funds (Exhibit 3)		$ 6,996,199
Amounts reported for governmental activities in the statement of net position are different because:		
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	$ (38,530)	
Payables	38,530	
		-
Revenues that are not available to pay for current period expenditures are deferred in the funds.		
Unavailable tax revenue	$ 1,921,796	
Unavailable ambulance revenue	53,547	
		1,975,343
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(44,666)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes outstanding	$ 2,238,328	
Unamortized loan forgiveness	(164,483)	
Unamortized bond premium	62,228	
Capital leases outstanding	849,770	
Compensated absences payable	238,747	
Accrued landfill postclosure care costs	607,170	
Net pension liability	3,477,452	
		(7,309,212)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	$ 475,144	
Deferred inflows of resources related to pensions	(117,510)	
		357,634
Total net position of governmental activities (Exhibit 1)		$ 1,975,298

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

EXHIBIT 5
TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2019

	General	Water Department	Sewer Department	Permanent	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	$ 5,418,255	$ -	$ -	$ -	$ 9,300	$ 5,427,555
Licenses, permits and fees	1,063,956	-	-	-	-	1,063,956
Intergovernmental	798,533	-	-	-	-	798,533
Charges for services	683,213	723,792	852,813	-	18,902	2,278,720
Miscellaneous	(148,016)	26,384	29,505	351,755	4,432	264,060
Total revenues	7,815,941	750,176	882,318	351,755	32,634	9,832,824
Expenditures:						
Current:						
General government	1,034,120	-	-	1,350	-	1,035,470
Public safety	3,835,936	-	-	21,253	14,083	3,871,272
Highways and streets	1,644,703	-	-	-	-	1,644,703
Sanitation	562,489	-	504,796	-	-	1,067,285
Water distribution and treatment	-	306,897	-	-	-	306,897
Health	6,935	-	-	-	-	6,935
Welfare	154,996	-	-	-	-	154,996
Culture and recreation	571,993	-	-	1,914	3,312	577,219
Conservation	5,777	-	-	-	-	5,777
Debt service:						
Principal	73,177	196,546	53,333	-	-	323,056
Interest on long-term debt	18,371	59,203	8,546	-	-	86,120
Interest on tax anticipation note	966	-	-	-	-	966
Capital outlay	1,008,325	-	-	-	-	1,008,325
Total expenditures	8,917,788	562,646	566,675	24,517	17,395	10,089,021
Excess (deficiency) of revenues over (under) expenditures	(1,101,847)	187,530	315,643	327,238	15,239	(256,197)
Other financing sources (uses):						
Transfers in	16,651	-	-	-	3,500	20,151
Transfers out	(3,500)	-	-	(16,651)	-	(20,151)
Inception of capital lease	250,000	-	-	-	-	250,000
Total other financing sources and uses	263,151	-	-	(16,651)	3,500	250,000
Net change in fund balances	(838,696)	187,530	315,643	310,587	18,739	(6,197)
Fund balances, beginning	2,246,925	1,558,493	1,556,526	1,507,821	132,631	7,002,396
Fund balances, ending	$ 1,408,229	$ 1,746,023	$ 1,872,169	$ 1,818,408	$ 151,370	$ 6,996,199

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

EXHIBIT 6
TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2019

Net change in fund balances of governmental funds (Exhibit 5)			$ (6,197)
Amounts reported for governmental activities in the statement of activities are different because:			
Payments not due until the subsequent period are recorded as prepaid in the governmental funds.			
	Change in prepaid principal and interest		57,173
Transfers in and out between governmental funds are eliminated on the operating statement.			
	Transfers in	$ (20,151)	
	Transfers out	20,151	
			-
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in governmental funds.			
	Change in unavailable tax revenue	$ 186,026	
	Change in unavailable ambulance revenue	(24,049)	
	Change in long-term receivable for loan forgiveness	(10,966)	
			151,011
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.			
	Inception of capital lease	(250,000)	
	Repayment of bond and note principal	286,016	
	Amortization of bond premium	12,446	
	Repayment of capital lease principal	253,927	
			302,389
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.			
	Increase in accrued interest expense	$ (6,315)	
	Increase in compensated absences payable	(42,128)	
			(48,443)
Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employee contributions, is reported as pension expense.			
	Town pension contributions	$ 371,204	
	Cost of benefits earned, net of employee contributions	(575,117)	
			(203,913)
Change in net position of governmental activities (Exhibit 2)			$ 252,020

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

EXHIBIT 7
TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
General Fund
Statement of Revenues, Expenditures and Changes in Unassigned Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2019

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	$ 5,537,610	$ 5,604,281	$ 66,671
Licenses, permits and fees	1,040,583	1,063,956	23,373
Intergovernmental	677,207	683,863	6,656
Charges for services	600,000	683,213	83,213
Miscellaneous	127,279	(189,965)	(317,244)
Total revenues	7,982,679	7,845,348	(137,331)
EXPENDITURES			
Current:			
General government	1,059,401	1,044,270	15,131
Public safety	3,915,430	3,832,500	82,930
Highways and streets	1,587,026	1,594,786	(7,760)
Sanitation	556,120	562,489	(6,369)
Health	10,004	6,935	3,069
Welfare	168,892	154,996	13,896
Culture and recreation	458,201	461,921	(3,720)
Conservation	8,219	7,366	853
Debt service:			
Principal	74,049	73,177	872
Interest on long-term debt	17,500	18,371	(871)
Interest on tax anticipation note	1,500	966	534
Capital outlay	80,413	(62,518)	142,931
Total expenditures	7,936,755	7,695,259	241,496
Excess of revenues over expenditures	45,924	150,089	104,165
Other financing sources (uses):			
Transfers in	10,000	11,360	1,360
Transfers out	(317,500)	(317,500)	-
Total other financing sources and uses	(307,500)	(306,140)	1,360
Net change in fund balance	$ (261,576)	(156,051)	$ 105,525
Decrease in nonspendable fund balance		443,131	
Unassigned fund balance, beginning		1,768,693	
Unassigned fund balance, ending		$ 2,055,773	

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

EXHIBIT 8
TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
Water Department Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (GAAP Basis)
For the Year Ended December 31, 2019

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	$ 712,660	$ 723,792	$ 11,132
Miscellaneous	-	13,501	13,501
Total revenues	712,660	737,293	24,633
EXPENDITURES			
Current:			
Water distribution and treatment	381,160	306,897	74,263
Debt service:			
Principal	207,250	196,546	10,704
Interest	59,250	59,203	47
Total expenditures	647,660	562,646	85,014
Excess of revenues over expenditures	65,000	174,647	109,647
Other financing uses:			
Transfers out	(65,000)	(65,000)	-
Net change in fund balance	$ -	109,647	$ 109,647
Fund balance, beginning		918,921	
Fund balance, ending		$ 1,028,568	

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

EXHIBIT 9
TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
Sewer Department Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (GAAP Basis)
For the Year Ended December 31, 2019

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	$ 875,144	$ 852,813	$ (22,331)
Miscellaneous	-	12,293	12,293
Total revenues	875,144	865,106	(10,038)
EXPENDITURES			
Current:			
Sanitation	713,210	504,796	208,414
Debt service:			
Principal	53,334	53,333	1
Interest	8,600	8,546	54
Total expenditures	775,144	566,675	208,469
Excess of revenues over expenditures	100,000	298,431	198,431
Other financing uses:			
Transfers out	(100,000)	(136,128)	(36,128)
Net change in fund balance	$ -	162,303	$ 162,303
Fund balance, beginning		732,480	
Fund balance, ending		$ 894,783	

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

EXHIBIT 10
TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2019

	Private Purpose Trust	Agency
Assets:		
Cash and cash equivalents	$ 36,168	$ 1,537,805
Investments	291,379	636,499
Total assets	327,547	2,174,304
Liabilities:		
Due to other governmental units	-	2,174,304
Net position:		
Held in trust for specific purposes	$ 327,547	$ -

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

EXHIBIT 11
TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2019

	Private Purpose Trust
Additions:	
Investment earnings:	
Interest and dividends	$ 13,917
Net change in fair value of investments	47,030
Total additions	60,947
Deductions:	
Trust distributions	11,700
Change in net position	49,247
Net position, beginning	278,300
Net position, ending	$ 327,547

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

NOTES TO THE FINANCIAL STATEMENTS

I. Summary of Significant Accounting Principles

I.A. Introduction

The accounting and reporting framework and the more significant accounting principles and practices of the Town of Hillsborough (the Town) are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the Town's financial activities for the year ended December 31, 2019.

I.B. Financial Reporting Entity – Basis of Presentation

I.B.1. *Entity Defined*

The Town of Hillsborough is a municipal corporation governed by a board of selectmen consisting of three members elected by the voters. These financial statements present the financial position and activity of the primary government. Component units are organizations for which the primary government is financially accountable, or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete. Based on the stated criteria, the Town's financial statements do not include any component units.

I.B.2. *Government-Wide and Fund Financial Statements*

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Town as a whole, excluding fiduciary activities. Individual funds are not displayed.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with 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 a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges for the Town'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 these program uses. Taxes and revenue from other sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary funds. Major governmental funds are reported in separate columns with composite columns for nonmajor funds.

I.B.3. *Measurement Focus, Basis of Accounting and Financial Statement Presentation*

The financial statements of the Town are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) except as noted below. The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements except as noted.

The Town has not reported its capital assets because it has not determined the historical cost of its capital assets and related accumulated depreciation as required by GAAP. The Town also has not reported its annual cost for postemployment benefits other than pensions (OPEB) or its total OPEB liability, if any, as required by GAAP.

The government-wide and fiduciary fund financial statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property tax revenues are recognized in the year for which they are levied, while grants are recognized when grantor eligibility requirements are met. The agency funds are custodial in nature and do not measure results of operations.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 60 days of the end of the fiscal year, and defers any not received by that date. When calculating fund balance used to set the tax rate, unavailable tax revenues are not deferred in accordance with the instructions of the New Hampshire Department of Revenue Administration.

Expenditures are recorded when the related fund liability is incurred, except for general obligation debt principal and interest which are reported as expenditures in the year due. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

Major revenues susceptible to accrual are property taxes, intergovernmental amounts, charges for services, and investment income. In general, other revenues are recognized when cash is received.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed.

I.B.4. *Fund Types and Major Funds*

Governmental Funds

The Town reports the following major governmental funds:

General Fund – Reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

Water Department Fund – Reports as a special revenue fund and accounts for all revenues and expenditures related to the Town's water distribution operations.

Sewer Department Fund – Reports as a special revenue fund and accounts for all revenues and expenditures related to the Town's sewage disposal operations.

Permanent Fund – Used to account for financial assets held by the trustees of trust funds, from which only the income, and not principal, is used for supporting Town purposes.

The Town also reports four nonmajor governmental funds.

Fiduciary Funds

The Town reports the following fiduciary funds:

Private Purpose Trust Funds – Account for financial resources of the Town used only for the benefit of other entities or individuals.

Agency Funds – Account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. The Town's agency funds are used to account for performance bonds held in escrow, and amounts held by the trustees of trust funds that belong to the Hillsboro-Deering Cooperative School District and Emerald Lake Village District.

I.C. Assets, Liabilities, and Net Position or Fund Equity

I.C.1. *Cash and Investments*

The laws of the State of New Hampshire require that the Town's treasurer have custody of all monies belonging to the Town**,** other than those held by the trustees of trust funds and library trustees, and pay out the same only upon orders of the Board of Selectmen. The treasurer shall deposit all monies 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 or 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.

Investments are stated at fair value based on quoted market prices.

New Hampshire law authorizes the Town to invest in obligations of the United States government; the public deposit investment pool established pursuant to RSA 383:22; savings bank deposits; prime bankers' acceptances; or certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the state treasurer.

Any person who directly or indirectly receives any such funds or monies for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the Town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

I.C.2. ***Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

I.C.3. ***Long-Term Debt***

In the government-wide financial statements, outstanding debt is reported as liabilities. The balance of long-term debt is not reported in the governmental funds.

I.C.4. ***Compensated Absences***

Full-time, permanent employees are granted accrued vacation benefits in varying amounts to specified maximums based on the number of years in employment. Employees are entitled to their accrued leave upon termination.

Eligible employees have the option of being compensated for overtime hours worked by receiving compensatory time at a rate of one and one-half hours granted for each hour of overtime worked. Employees may carry up to forty hours of unused compensatory time into the next calendar year. Employees are entitled to their compensatory time upon termination.

Compensated absences are reported as accrued in the government-wide financial statements. Governmental funds report only matured compensated absences payable to currently terminated employees which are included in wages and benefits expenditures.

I.C.5. *Equity*

The government-wide statement of net position reports net position in the following components:

- Net investment in capital assets, which is computed as the total capital assets less accumulated depreciation, net of outstanding debt used to acquire those assets. Because the Town has not determined the value of its capital assets and related accumulated depreciation, this amount is reported as a negative balance, reflecting only the debt.
- Restricted for endowments, nonexpendable, which consists of the principal balance of the permanent funds that must be permanently invested for Town purposes.
- Restricted for endowments, expendable, which consists of the balance of the permanent funds' income that is allowed to be expended for Town purposes.
- Restricted for other purposes, which consists of the balances of the library fund and project lift fund, whose use is restricted by law.
- Unrestricted, which consists of the remaining balance of net position.

The governmental funds report the following components of fund balance:

- Nonspendable, which consists of endowments in the permanent funds; and prepaid items and tax deeded property held for resale in the general fund, whose resources are in a nonspendable form.
- Restricted, which represents the expendable income from permanent funds and the library's balance, whose use is limited by law.
- Committed, which consists of balances for which the intended use has been established by Town Meeting vote, or by the Board of Selectmen, and would require an equally formal action to remove those commitments.
- Assigned, which consists of balances for which the intended use is established by the Board of Selectmen in the form of encumbrances.
- Unassigned, which represents the remaining fund balance in the General Fund in excess of the nonspendable, restricted, committed and assigned balances.

I.D. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles, 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.

II. Stewardship, Compliance and Accountability

II.A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General, Water Department and Sewer Department Funds. Unless encumbered, all appropriations lapse at year-end. The Town is allowed to use beginning fund balance to balance the budget. In 2019, none of the General Fund's unassigned fund balance from 2018 was so used, but $261,576 was appropriated from fund balance.

Encumbrance accounting is employed by the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as commitments or assignments of fund balances and do not constitute expenditures or liabilities because they will be added to the appropriations voted in the subsequent year.

Revenues are budgeted by source. Expenditures are budgeted by functions as follow: general government, public safety, highways and streets, sanitation, water distribution and treatment, health, welfare, culture and recreation, conservation, debt service, and capital outlay. Management can transfer appropriations among budget line items as necessary, but the total expenditures cannot legally exceed the total appropriations unless permission is received from the Commissioner of Revenue Administration.

II.B. Reconciliation of Budgetary Basis to GAAP

General Fund

Revenues and other financing sources:	
Per Exhibit 7 (budgetary basis)	$ 7,856,708
Adjustments:	
Basis difference:	
Capital lease inception	250,000
Tax revenue deferred in the prior year	1,735,770
Tax revenue deferred in the current year	(1,921,796)
Perspective difference:	
Revenue of Library Fund	20,600
Revenue of Project Lift Fund	118,902
Revenue of Expendable Trust Fund	17,117
Transfer to Library from Permanent Fund	5,291
Per Exhibit 5 (GAAP basis)	$ 8,082,592

General Fund (continued)

Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	$ 8,012,759
Adjustments:	
Basis difference:	
Encumbrances, beginning	335,981
Encumbrances, ending	(112,045)
Capital lease inception	250,000
Perspective difference:	
Expenditures of Library Fund	25,199
Expenditures of Project Lift Fund	99,873
Expenditures of Expendable Trust Fund	623,521
Transfers to Expendable Trust Fund	(314,000)
Per Exhibit 5 (GAAP basis)	$ 8,921,288

Unassigned fund balance:	
Per Exhibit 7 (budgetary basis)	$ 2,055,773
Adjustment:	
Basis difference:	
Deferred tax revenue, GAAP basis	(1,921,796)
Per Exhibit 3 (GAAP basis)	$ 133,977

Water Department Fund

Revenues:	
Per Exhibit 8 (budgetary basis)	$ 737,293
Adjustment:	
Perspective difference:	
Revenue of Expendable Trust Fund	12,883
Per Exhibit 5 (GAAP basis)	$ 750,176

Expenditures and other financing uses:	
Per Exhibit 8 (budgetary basis)	$ 627,646
Adjustment:	
Perspective difference:	
Transfers to Expendable Trust Fund	(65,000)
Per Exhibit 5 (GAAP basis)	$ 562,646

Committed fund balance:	
Per Exhibit 8 (budgetary basis)	$ 1,028,568
Adjustment:	
Perspective difference:	
Equity of expendable trust fund reported in Water Department Fund	717,455
Per Exhibit 3 (GAAP basis)	$ 1,746,023

Sewer Department Fund

Revenues:	
Per Exhibit 9 (budgetary basis)	$ 865,106
Adjustment:	
Perspective difference:	
Revenue of Expendable Trust Fund	17,212
Per Exhibit 5 (GAAP basis)	$ 882,318
Expenditures and other financing uses:	
Per Exhibit 9 (budgetary basis)	$ 702,803
Adjustment:	
Perspective difference:	
Transfers to Expendable Trust Fund	(136,128)
Per Exhibit 5 (GAAP basis)	$ 566,675
Committed fund balance:	
Per Exhibit 9 (budgetary basis)	$ 894,783
Adjustment:	
Perspective difference:	
Equity of expendable trust fund reported in Sewer Department Fund	977,386
Per Exhibit 3 (GAAP basis)	$ 1,872,169

The Permanent Fund is not budgeted.

III. Detailed Notes on Funds and Government-Wide Statements

III.A. Assets

III.A.1. *Investments*

As of December 31, 2019, the Town's reporting entity had the following investments:

Closed End Funds	$ 972,027
Fixed Income Funds	482,147
Mutual Funds	34,159
Common Stock	1,035,480
Corporate Bonds	114,880
New Hampshire Public Deposit Investment Pool	1,723,929
	$ 4,362,622

The investments appear in the financial statements as follow:

Fund reporting level:	
Governmental funds - balance sheet (Exhibit 3)	$ 3,434,744
Fiduciary funds - statement of fiduciary net position (Exhibit 10)	927,878
Total	$ 4,362,622

Investment Risks

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. New Hampshire law limits investments to those described in Note I.C.1. The Town does not have an investment policy that places any further restrictions on its investment choices. The Town's credit rating quality of investments as of December 31, 2019 is as follows:

	Fair Value
Baa	$ 59,755
B2	55,125
Not rated	2,523,813
Exempt from disclosure	1,723,929
	$ 4,362,622

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Town does not have an investment policy that addresses limiting interest rate risk. The Town's sensitivity of the fair value of the Town's investments to market interest rate fluctuations is as follows:

	Fair Value	Investment maturities (in years) 5 to 10
Corporate bonds	$ 114,880	$ 114,880

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town does not have an investment policy that addresses concentration of credit risk. As of December 31, 2019, the Town had $602,790 invested in iShares Select Dividend ETF, $299,187 invested in Peyto Exploration & Development Corp, and $228,080 in SPDR Dow Jones Industrial Average ETF, representing 13.82%, 6.86%, and 5.23%, respectively, of its total investments.

Custodial Credit Risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Of the Town's $4,362,622 of investments, $2,270,772 has exposure to custodial credit risk because the related securities are uninsured and uncollateralized.

III.A.2. *Receivables, Uncollectible Accounts and Deferred Revenue*

Property Taxes Receivable and Property Tax Calendar

Property taxes are levied and collected by the Town on a semi-annual basis. Tax bills are due on or around July 1 and December 1, with interest of 8% per annum on taxes committed in 2019, and 12% on previously committed taxes not received by the due date. The first billing is an estimate only based on half of the previous year's billing. The final billing is levied based on an inventory taken in April of each year (the tax year runs from April 1 to March 31), and is assessed after the tax rate has been calculated and set by the New Hampshire Department of Revenue Administration. A lien is executed on any unpaid property taxes in the following year and this lien takes priority over any others. Interest of 14% per annum is charged upon redemption of taxes liened in 2019, and 18% per annum is charged upon previous years' liens. Properties not redeemed within two years of the date of the tax lien should be deeded to the Town. During the current year, the tax collector executed a lien for uncollected 2018 property taxes on June 19th.

The property taxes levied and collected by the Town include amounts for the State of New Hampshire, the Hillsboro-Deering Cooperative School District, Hillsborough County, and the Emerald Lake Village District. The Town is responsible for the collection of all these taxes. During the annual tax rate setting process, the Town sets an amount for potential abatements and tax deeding, known as overlay. Overlay is raised through taxation and is reported as a reduction in tax revenue.

The net assessed valuation as of April 1, 2019, upon which the 2019 property tax levy was based was:

For the New Hampshire education tax	$ 486,093,168
For all other taxes	$ 519,423,042

The tax rates and amounts assessed for the year ended December 31, 2019 were as follow:

	Per $1,000 of Assessed Valuation	
Municipal portion	$10.68	$ 5,551,765
School portion:		
State of New Hampshire	$2.13	1,033,828
Local	$17.62	9,150,381
County portion	$1.13	586,024
Precinct portion:		
Emerald Lake Village	$3.71	287,936
Total property taxes assessed		$ 16,609,934

The following details the taxes receivable at year-end:

Property:	
Levy of 2019	$ 1,242,714
Unredeemed (under tax lien):	
Levy of 2018	450,927
Levy of 2017	311,005
Levy of 2016	187,081
Levy of 2015	137,361
Levies of 2014 and prior	301,543
Land use change	7,500
Timber	468
Water liens	44,510
Sewer liens	35,673
Less: allowance for estimated uncollectible taxes	(443,000)
Net taxes receivable	$ 2,275,782

Other Receivables

Significant receivables include the unpaid balances on ambulance service, water and sewer charges, welfare liens and grant reimbursements for the Town's various grant programs. These receivables are reported net of allowances that represent the welfare liens that the Town does not expect to collect, and uncollected ambulance charges over 60 days past due as of year-end. Related amounts are shown as follow:

Accounts	$ 945,021
Intergovernmental	42,915
Liens	24,732
Less: allowance for uncollectible amounts	(360,692)
Net total receivables	$ 651,976

Deferred Revenue

Deferred revenue in the General Fund of $1,976,027 at December 31, 2019 represents $1,921,796 of property taxes and liens and $53,547 of ambulance service charges that were not collected within 60 days of year-end, and therefore, are deferred in accordance with generally accepted accounting principles; and $684 of miscellaneous items. In the governmental activities, the miscellaneous amounts are reported as unearned revenue.

Deferred revenue in the Water Department and Sewer Department of $356 and $765, respectively, represent prepayments of water and sewer charges. They are reported as unearned revenue in the governmental activities.

III.B. Liabilities

III.B.1. *Intergovernmental Payable*

The amount due to other governments at December 31, 2019 consists of $5,268,493 due to the Hillsboro-Deering Cooperative School District for the balance of the 2019-2020 district assessment, and $151,254 due to the Emerald Lake Village District for the balance of the 2019 district assessment.

III.B.2. *Long-Term Liabilities*

General obligation bonds and notes are approved by the voters and repaid with general revenues (property taxes). These bonds and notes are backed by the full faith and credit of the Town. Long-term liabilities currently outstanding in the governmental activities are as follow:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at 12/31/2019	Current Portion
General obligation bonds/notes payable:						
Water mains	$ 1,792,000	2004	2024	2.5-4.125	$ 428,000	$ 86,000
Fire station	$ 282,000	2004	2024	2.5-4.125	69,000	14,000
Library	$ 400,000	2010	2026	3.3	197,559	27,716
Loon Pond	$ 240,000	2011	2020	1.79	13,373	13,373
Water filtration (refunded)	$ 1,124,000	2012	2024	2.0-5.0	469,000	95,000
Bible Hill	$ 214,258	2012	2031	1.1	74,656	5,229
Screw pump	$ 800,000	2013	2027	2.75	270,586	53,334
Water filtration	$ 833,389	2015	2035	2.616	716,154	34,871
					2,238,328	329,523
Unamortized bond premium					62,228	12,446
Capital leases payable:						
Fire apparatus	$ 850,000	2016	2025	3.05	524,293	80,953
Air packs and filling station	$ 186,706	2016	2020	2.79	38,354	38,354
Highway truck	$ 224,147	2017	2021	3.09	90,960	44,788
Loader	$ 250,000	2019	2023	3.84	196,163	46,305
					849,770	210,400
Compensated absences payable:						
Vested earned leave					18,247	-
Accrued vacation leave					220,500	4,366
					238,747	4,366
Accrued landfill postclosure care costs					607,170	20,239
Net pension liability					3,477,452	-
					$ 7,473,695	$ 576,974

Loan Forgiveness

A portion of the Water Filtration debt issued in 2015 will be forgiven by the State of New Hampshire Drinking Water State Revolving Fund Program through an annual reduction of the principal amount owed. During the year ended December 31, 2019, the Town reported a reduction of bonds and notes payable of $10,966, and a remaining unamortized loan forgiveness balance of $164,483.

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities of the governmental activities for the year ended December 31, 2019:

	General Obligation Bonds and Notes Payable	Unamortized Bond Premium	Capital Leases Payable	Compensated Absences Payable	Accrued Landfill Postclosure Care Costs	Net Pension Liability	Total
Balance, beginning	$ 2,524,344	$ 74,674	$ 853,697	$ 196,619	$ 607,170	$ 3,403,243	$ 7,659,747
Additions	-	-	250,000	42,128	-	74,209	366,337
Reductions	(286,016)	(12,446)	(253,927)	-	-	-	(552,389)
Balance, ending	$ 2,238,328	$ 62,228	$ 849,770	$ 238,747	$ 607,170	$ 3,477,452	$ 7,473,695

Debt Service Requirements to Maturity

The annual debt service requirements to maturity for the bonds and notes outstanding as of year-end are as follow:

Year Ending December 31,	Principal	Interest	Total
2020	$ 329,523	$ 75,434	$ 404,957
2021	317,514	63,665	381,179
2022	318,925	51,935	370,860
2023	321,406	40,127	361,533
2024	321,945	26,509	348,454
2025-2029	307,602	64,966	372,568
2030-2034	275,154	27,617	302,771
2035	46,259	1,210	47,469
Totals	$ 2,238,328	$ 351,463	$ 2,589,791

The future minimum lease obligations for the capital leases are as follow:

Year Ending December 31,	Principal	Interest	Total
2020	$ 210,400	$ 27,404	$ 237,804
2021	177,677	20,704	198,381
2022	135,895	14,886	150,781
2023	140,434	10,347	150,781
2024	91,290	5,654	96,944
2025	94,074	2,870	96,944
Totals	$ 849,770	$ 81,865	$ 931,635

Accrued Landfill Postclosure Care Costs

The Town ceased operating its landfill in 1989. State and federal laws and regulations require that the Town continue to perform certain maintenance and monitoring functions at the landfill site for thirty years after the closure. An estimated liability has been recorded based on the future postclosure care costs that will be incurred. The estimated liability for landfill postclosure care costs has a balance of $607,170 as of December 31, 2019. The estimated total current cost of the landfill postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of December 31, 2019. However, the actual costs of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

III.C. Balances and Transfers – Payments Within the Reporting Entity

III.C.1. *Receivables and Payables*

Generally, outstanding balances between funds reported as “interfund receivables/payables” include outstanding charges by one fund to another for goods or services, subsidy commitments outstanding at year-end, or other miscellaneous amounts. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is also reported as “interfund receivables/payables.”

The following schedule reports interfund receivables and payables within the reporting entity at year-end:

Receivable Fund	Payable Fund	Amount
General	Water Department	$ 3,460
General	Sewer Department	3,287
General	Permanent	18,565
General	Nonmajor	418
Nonmajor	General	12,800
		$ 38,530

The amount due to the general fund from the water and sewer department funds, represents reimbursement of payroll charges. The amount due to the general fund from the permanent fund represents interest earned on trust funds that will be paid over in the next year for town purposes. The amount due to the general fund from the nonmajor funds represents overdrafts of pooled cash. The amount due to the nonmajor funds from the general fund represents unspent conservation appropriations.

III.C.2. *Transfers*

Transfers within the reporting entity are substantially for the purposes of distributing taxes to the fund for which the appropriation was made, and distributing trust income and certain voted amounts to the applicable fund. The government-wide statement of activities eliminates transfers reported within the governmental activities columns.

The following schedule reports transfers within the reporting entity:

	Transfers In:		
	General Fund	Nonmajor Funds	Total
Transfers out:			
General fund	$ -	$ 3,500	$ 3,500
Permanent fund	11,360	5,291	16,651
	$ 11,360	$ 8,791	$ 20,151

The amount transferred to the nonmajor funds from the general fund represents the unspent balance of the conservation appropriation. The amount transferred to the general fund and nonmajor funds from the permanent fund represents income earned for general government and culture and recreation purposes.

The notes continue on the following page.

III.D. Fund Equity

The components of fund balance, as described in Note I.C.5., are classified for the following purposes:

	General Fund	Water Department	Sewer Department	Permanent Fund	Nonmajor Funds
Nonspendable:					
Endowments	$ -	$ -	$ -	$ 1,605,334	$ -
Prepaid items	17,238	-	-	-	-
Tax deeded property	122,890	-	-	-	-
Total nonspendable	140,128	-	-	1,605,334	-
Restricted:					
General government	-	-	-	213,074	-
Culture and recreation	564,520	-	-	-	-
Total restricted	564,520	-	-	213,074	-
Committed:					
Public safety	-	-	-	-	18,119
Sanitation	-	-	1,872,169	-	-
Water distribution and treatment	-	1,746,023	-	-	-
Culture and recreation	-	-	-	-	8,798
Conservation	-	-	-	-	124,453
Capital outlay	541,104	-	-	-	-
Total committed	541,104	1,746,023	1,872,169	-	151,370
Assigned:					
General government	10,150	-	-	-	-
Culture and recreation	15,000	-	-	-	-
Conservation	3,350	-	-	-	-
Total assigned	28,500	-	-	-	-
Unassigned	133,977	-	-	-	-
Total fund balance	$ 1,408,229	$ 1,746,023	$ 1,872,169	$ 1,818,408	$ 151,370

IV. Other Information

IV.A. Risk Management

The Town's risk management activities are reported with governmental activities and recorded in the general fund. During the fiscal year, the Town was a member of the NH Public Risk Management Exchange (Primex), which is organized to provide certain property and liability protection to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of Primex, the Town shares in contributing to the cost of, and receiving benefits from, a self-insured pooled risk management program. The membership and coverage run from January 1 through December 31. Primex provided property and employer's liability coverage in varying amounts and statutory coverage for workers' compensation.

Contributions paid in 2019 to be recorded as an insurance expenditure/expense totaled $91,483 for property/liability, and $62,559 for workers' compensation. The member agreement permits Primex to make additional assessments to members should there be a deficiency in assets to meet its liabilities. At this time, the Town foresees no likelihood of any additional assessments for past years.

IV.B. Contingent Liabilities

The Town 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 Town believes such disallowances, if any, will be immaterial.

IV.C. Retirement Pensions

General Information about the Pension Plan

The New Hampshire Retirement System (NHRS) is a multiple-employer, cost-sharing, contributory public employee defined benefit plan qualified under section 401(a) of the Internal Revenue Code, and funded through a trust which is exempt from tax under Internal Revenue Code section 501(a). The NHRS provides service, disability, death and vested retirement benefits for employees and their beneficiaries. The New Hampshire Legislature establishes the provisions for benefits and contributions. The NHRS issues a separate financial report that is available at www.nhrs.org or by contacting the NHRS at 54 Regional Drive, Concord, NH 03301.

Both the members and the Town make contributions to the NHRS. Member rates of contribution are set by the Legislature. Employer rates are determined by the NHRS trustees based on an actuarial valuation. The rates of contribution for police officers and fire employees were 11.55% and 11.80%, respectively, of gross earnings. The rates of contribution for pension and the medical subsidy from the Town for the period January 1st to June 30th were 29.43% for police and 31.89% for fire employees, decreasing on July 1st to 28.43% for police officers and 30.09% for fire employees. The rates are actuarially determined to generate an amount, that when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions from the Town during the years 2017, 2018 and 2019 were $320,383, $356,330, and $371,206, respectively. The amounts were paid on a monthly basis as due.

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

At December 31, 2019, the Town reported a liability of $3,477,452 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, rolled forward. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities and school districts, actuarially determined. As of December 31, 2019, the Town's proportion was 0.0723%, which was an increase of 0.0016% from its proportion reported as of December 31, 2018.

For 2019, the Town recognized pension expense of $575,117. At year-end, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	$ 146,210	$ 14,329
Net differences between projected and actual earnings on pension plan investments	-	28,406
Changes in assumptions	124,770	-
Differences between expected and actual experience	19,227	74,775
Town contributions subsequent to the measurement date	184,937	-
	$ 475,144	$ 117,510

The Town reported $184,937 as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the following year.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follow:

Year Ending December 31,	
2020	$ 178,878
2021	(28,654)
2022	2,448
2023	20,025
	$ 172,697

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry-Age Normal
Amortization Period	Level Percenage-of-Payroll, Closed
Remaining Amortization Period	21 years beginning July 1, 2018
Asset Valuation Method	5-year smoothed market for funding purposes, 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% average, including inflation
Municipal Bond Rate	3.62% per year
Investment Rate of Return	7.25% net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant and Employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on the last experience study.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the most recent actuarial experience study, which was for the period of July 1, 2010 to June 30, 2015.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of net pension liability	$ 4,656,452	$ 3,477,452	$ 2,503,018

Other actuarial assumptions, as well as detailed information about the pension plan's fiduciary net position, are available in the separately issued NHRS report.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT 12
TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of the Net Pension Liability
New Hampshire Retirement System

	2019	2018	2017	2016	2015	2014
Town's proportion of net pension liability	0.0723%	0.0707%	0.0712%	0.0684%	0.0649%	0.0624%
Town's proportionate share of the net pension liability	$ 3,477,452	$ 3,403,243	$ 3,502,638	$ 3,635,288	$ 2,570,826	$ 2,341,255
Town's covered-employee payroll	$ 1,277,227	$ 1,203,895	$ 1,140,469	$ 1,096,405	$ 1,057,030	$ 993,250
Town's proportionate share of the net pension liability as a percentage of covered-employee payroll	272.27%	282.69%	307.12%	331.56%	243.21%	235.72%
Plan fiduciary position as a percentage of the total pension liability	65.59%	64.73%	62.70%	58.30%	65.50%	66.30%

The note to the required supplementary information is an integral part of this statement.

EXHIBIT 13
TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
Schedule of the Town's Pension Contributions
New Hampshire Retirement System

	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 371,206	$ 356,330	$ 320,383	$ 291,317	$ 275,436	$ 253,083
Contribution in relation to the contractually required contribution	(371,206)	(356,330)	(320,383)	(291,317)	(275,436)	(253,083)
Contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -
Town's covered-employee payroll	$ 1,277,227	$ 1,203,895	$ 1,140,469	$ 1,096,405	$ 1,057,030	$ 993,250
Contributions as a percentage of covered-employee payroll	29.06%	29.60%	28.09%	26.57%	26.06%	25.48%

The note to the required supplementary information is an integral part of this statement.

TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

The schedule of the Town's Proportionate Share of the Net Pension Liability and the Schedule of the Town's Pension Contributions are meant to present related information for ten years. Because this is the fifth year that the Town has presented the pension schedules, only six years are presented. An additional year's information will be added each year until there are ten years shown.

COMBINING NONMAJOR GOVERNMENTAL AND INDIVIDUAL GENERAL FUND SCHEDULES

EXHIBIT 14
TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2019

	Special Revenue Funds				
	Police Detail	Parks and Recreation Revolving	Conservation	Youth Services	Total
ASSETS					
Cash and cash equivalents	$ 15,759	$ 3,029	$ -	$ 6,187	$ 24,975
Investments	-	-	111,653	-	111,653
Accounts receivable	2,360	-	-	-	2,360
Interfund receivable	-	-	12,800	-	12,800
Total assets	$ 18,119	$ 3,029	$ 124,453	$ 6,187	$ 151,788
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund payable	$ -	$ -	$ -	$ 418	$ 418
Fund balances:					
Committed	18,119	3,029	124,453	5,769	151,370
Total liabilities and fund balances	$ 18,119	$ 3,029	$ 124,453	$ 6,187	$ 151,788

EXHIBIT 15
TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2019

	Special Revenue Funds				
	Police Detail	Parks and Recreation Revolving	Conservation	Youth Services	Total
REVENUES					
Taxes	$ -	$ -	$ 9,300	$ -	$ 9,300
Charges for services	18,902	-	-	-	18,902
Miscellaneous	13	-	2,340	2,079	4,432
Total revenues	18,915	-	11,640	2,079	32,634
EXPENDITURES					
Current:					
Public safety	14,083	-	-	-	14,083
Culture and recreation	-	-	-	3,312	3,312
Total expenditures	14,083	-	-	3,312	17,395
Excess (deficiency) of revenues over (under) expenditures	4,832	-	11,640	(1,233)	15,239
Other financing sources:					
Transfers in	-	-	3,500	-	3,500
Net change in fund balances	4,832	-	15,140	(1,233)	18,739
Fund balances, beginning	13,287	3,029	109,313	7,002	132,631
Fund balances, ending	$ 18,119	$ 3,029	$ 124,453	$ 5,769	$ 151,370

EXHIBIT 16
TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2019

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	$ 5,268,064	$ 5,316,351	$ 48,287
Land use change	-	9,300	9,300
Timber	15,678	22,653	6,975
Excavation	750	382	(368)
Payments in lieu of taxes	3,118	2,856	(262)
Interest and penalties on delinquent taxes	250,000	252,739	2,739
Total taxes	5,537,610	5,604,281	66,671
Licenses, permits and fees:			
Business licenses and permits	360	525	165
Motor vehicle permits	1,000,000	1,019,476	19,476
Building permits	37,000	41,146	4,146
Other	3,223	2,809	(414)
Total licenses, permits and fees	1,040,583	1,063,956	23,373
Intergovernmental:			
State sources:			
Municipal aid	144,787	144,787	-
Meals and rooms distributions	304,598	304,598	-
Highway block grant	183,835	183,565	(270)
Water pollution grant	-	13,830	13,830
State and federal forest land	1,853	1,853	-
Federal sources:			
Sidewalk TAP grant	7,134	17,868	10,734
Homeland security grant	-	6,000	6,000
Other government sources	35,000	11,362	(23,638)
Total intergovernmental	677,207	683,863	6,656
Charges for services:			
Income from departments	600,000	683,213	83,213
Miscellaneous:			
Loss on sale of town owned property	60,000	(271,893)	(331,893)
Interest on investments	50,000	48,670	(1,330)
Rent of property	-	22,117	22,117
Fines and forfeits	-	843	843
Insurance dividends and reimbursements	-	3,279	3,279
Other	17,279	7,019	(10,260)
Total miscellaneous	127,279	(189,965)	(317,244)
Other financing sources:			
Transfers in:			
Nonmajor funds	10,000	11,360	1,360
Total revenues and other financing sources	7,992,679	$ 7,856,708	$ (135,971)
Fund balance appropriated	261,576		
Total revenues, other financing sources and use of fund balance	$ 8,254,255		

EXHIBIT 17
TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2019

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	$ -	$ 416,179	$ 414,016	$ 10,150	$ (7,987)
Election and registration	-	4,990	3,828	-	1,162
Financial administration	-	216,441	198,876	-	17,565
Revaluation of property	-	67,900	76,122	-	(8,222)
Legal	-	9,000	14,082	-	(5,082)
Planning and zoning	-	125,677	129,586	-	(3,909)
General government buildings	-	58,187	51,082	-	7,105
Cemeteries	-	27,775	26,367	-	1,408
Insurance, not otherwise allocated	-	129,250	116,783	-	12,467
Other	-	4,002	3,378	-	624
Total general government	-	1,059,401	1,034,120	10,150	15,131
Public safety:					
Police	-	2,358,810	2,329,842	-	28,968
Fire	-	769,162	761,109	-	8,053
Building inspection	-	81,477	81,171	-	306
Emergency management	-	10,000	7,612	-	2,388
Other	-	695,981	652,766	-	43,215
Total public safety	-	3,915,430	3,832,500	-	82,930
Highways and streets:					
Highways and streets	62,781	1,533,026	1,587,321	12,864	(4,378)
Street lighting	-	54,000	57,382	-	(3,382)
Total highways and streets	62,781	1,587,026	1,644,703	12,864	(7,760)
Sanitation:					
Solid waste disposal	-	556,120	562,489	-	(6,369)
Health:					
Pest control	-	6,004	2,935	-	3,069
Health agencies and hospitals	-	4,000	4,000	-	-
Total health	-	10,004	6,935	-	3,069
Welfare:					
Administration and direct assistance	-	168,892	154,996	-	13,896

(continued)

EXHIBIT 17 (continued)
TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2019

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Culture and recreation:					
Parks and recreation	-	184,590	167,137	15,000	2,453
Public library	-	239,579	247,190	-	(7,611)
Patriotic purposes	-	17,532	16,595	-	937
Other	-	16,500	15,999	-	501
Total culture and recreation	-	458,201	446,921	15,000	(3,720)
Conservation	1,761	8,219	5,777	3,350	853
Debt service:					
Principal	-	74,049	73,177	-	872
Interest on long-term debt	-	17,500	18,371	-	(871)
Interest on tax anticipation note	-	1,500	966	-	534
Total debt service	-	93,049	92,514	-	535
Capital outlay:					
Machinery, vehicles and equipment	-	53,837	53,837	-	-
Buildings	-	26,576	26,566	-	10
Improvements other than buildings	271,439	-	57,837	70,681	142,921
Total capital outlay	271,439	80,413	138,240	70,681	142,931
Other financing uses:					
Transfers out:					
Expendable trust fund	-	314,000	314,000	-	-
Nonmajor funds	-	3,500	3,500	-	-
Total other financing uses	-	317,500	317,500	-	-
Total encumbrances, appropriations, expenditures and other financing uses	$ 335,981	$ 8,254,255	$ 8,236,695	$ 112,045	$ 241,496

EXHIBIT 18
TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2019

Unassigned fund balance, beginning		$ 1,768,693
Changes:		
Unassigned fund balance appropriated		(261,576)
Budget summary:		
Revenue shortfall (Exhibit 16)	$ (135,971)	
Unexpended balance of appropriations (Exhibit 17)	241,496	
Budget surplus		105,525
Decrease in nonspendable fund balance		443,131
Unassigned fund balance, ending		$ 2,055,773

R&G

Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S COMMUNICATION TO MANAGEMENT

To the Members of the Board of Selectmen
Town of Hillsborough
Hillsborough, New Hampshire

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Hillsborough as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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.

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 and therefore material weaknesses may exist that have not been identified. However, we consider the following deficiencies in internal control to be material weaknesses:

Capital Asset and Capital Asset Policy – Repeat Finding

The Town has not recorded its capital assets and accumulated depreciation, as required by generally accepted accounting principles, which results in an adverse opinion on its governmental activities. We recommend that the Town develop a capital asset policy that addresses the dollar limit for capitalization, useful lives by asset category, safeguarding of assets, and procedures over the inventorying and recording of capital assets, including the ongoing monitoring and evaluation of useful lives of existing assets. After adopting a policy on capital assets, we recommend that the Town work to compile a listing of its existing capital assets at historical cost.

Other Postemployment Benefits (OPEB) – Repeat Finding

The Town does not report its liability or annual cost for postemployment benefits other than pensions in its governmental activities, and receives an adverse opinion on its governmental activities because the amount by which this departure affects the liabilities, net position, and expenses of the governmental activities is not known. If management wishes to get an unmodified opinion on the governmental activities, the Town will have to obtain a measurement valuation to determine its liability. This can be done by an actuary or by using an alternative measurement method.

We also want to discuss the following other matter:

Compensated Absences Payable – Repeat Recommendation

The Town has a compensated absences payable of $238,747 as of December 31, 2019, an increase of $42,128 from 2018. This represents a potential expenditure that would be against a future year's operating budget. We

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recommend that the Town consider the costs and benefits of establishing a non-capital reserve fund under RSA 35:1-c for the purpose of covering these expenditures in future years.

This communication is intended solely for the information and use of management, the Board of Selectmen and others within the Town of Hillsborough, and is not intended to be, and should not be, used by anyone other than these specified parties.

Roberts & Greene, PLLC

Concord, New Hampshire
December 14, 2020