TOWN OF HILLSBOROUGH, NEW HAMPSHIRE

FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2020

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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, 2020, 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, deferred outflows and inflows of resources, 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 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, 2020, 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, 2020, 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.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note I.B.5. to the financial statements, in the year ended December 31, 2020, the Town adopted new accounting guidance regarding the accounting and reporting for Fiduciary Funds. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the pension information on pages 35-37 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.

November 23, 2021

Roberts & Greene, PLLC

BASIC FINANCIAL STATEMENTS

EXHIBIT 1
TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
Statement of Net Position
December 31, 2020

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 6,804,418
Investments	3,537,726
Intergovernmental receivable	26,887
Other receivables, net of allowance for uncollectibles	5,686,178
Prepaid items	75,715
Tax deeded property held for resale	122,890
Total assets	16,253,814
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pensions	1,091,677
LIABILITIES	
Accounts payable	241,832
Accrued payroll and benefits	67,355
Accrued interest payable	36,584
Intergovernmental payable	5,096,978
Performance and escrow deposits	39,234
Miscellaneous current liabilities	41
Noncurrent obligations:	
Due within one year:	
Bonds and notes payable	317,514
Unamortized bond premium	12,446
Capital leases payable	177,677
Compensated absences payable	19,274
Accrued landfill postclosure care costs	20,239
Due in more than one year:	
Bonds and notes payable	1,591,291
Unamortized bond premium	37,336
Capital leases payable	461,693
Compensated absences payable	271,291
Accrued landfill postclosure care costs	586,931
Net pension liability	4,568,842
Total liabilities	13,546,558
DEFERRED INFLOWS OF RESOURCES	
Unearned revenue	2,431
Deferred amounts related to pensions	90,069
Total deferred inflows of resources	92,500
NET POSITION	
Net investment in capital assets	(2,444,440)
Restricted for:	
Endowments:	
Nonexpendable	1,551,027
Expendable	242,181
Other purposes	580,001
Unrestricted	3,777,664
Total net position	$ 3,706,433

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, 2020

		Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental activities:					
General government	$ 1,102,346	$ 1,662	$ (38,306)	$ -	$ (1,138,990)
Public safety	4,369,124	373,592	260,413	-	(3,735,119)
Highways and streets	1,186,244	-	-	220,455	(965,789)
Sanitation	999,658	1,087,930	42,900	-	131,172
Water distribution and treatment	349,471	756,211	3,424	-	410,164
Health	5,956	-	-	-	(5,956)
Welfare	165,936	-	-	-	(165,936)
Culture and recreation	463,784	115,079	38,761	-	(309,944)
Conservation	6,235	1,453	-	-	(4,782)
Interest on long-term debt	54,904	-	-	-	(54,904)
Capital outlay	420,111	-	-	-	(420,111)
Total primary government	$ 9,123,769	$ 2,335,927	$ 307,192	$ 220,455	(6,260,195)

General revenues:	
Property taxes	5,985,418
Other taxes	325,992
Licenses and permits	1,103,124
Grants and contributions not restricted to specific programs	439,673
Miscellaneous	128,869
Total general revenues	7,983,076
Change in net position	1,722,881
Net position, beginning, as restated, see Note III.D.	1,983,552
Net position, ending	$ 3,706,433

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, 2020

	General	Water Department	Sewer Department	Permanent	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 4,023,426	$ 1,069,461	$ 1,513,703	$ 169,624	$ 28,204	$ 6,804,418
Investments	587,571	668,819	507,919	1,648,260	125,157	3,537,726
Receivables, net of allowance for uncollectibles:						
Taxes	5,005,491	-	-	-	-	5,005,491
Accounts	80,368	205,355	240,965	-	482	527,170
Intergovernmental	26,887	-	-	-	-	26,887
Interfund receivable	44,090	-	-	-	34,506	78,596
Prepaid items	75,715	-	-	-	-	75,715
Tax deeded property held for resale	122,890	-	-	-	-	122,890
Total assets	$ 9,966,438	$ 1,943,635	$ 2,262,587	$ 1,817,884	$ 188,349	$ 16,178,893
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 234,005	$ 4,119	$ 3,708	$ -	$ -	$ 241,832
Accrued salaries and benefits	62,993	2,099	2,263	-	-	67,355
Intergovernmental payable	5,096,978	-	-	-	-	5,096,978
Interfund payable	34,506	10,240	8,857	24,676	317	78,596
Escrow and performance deposits	35,145	-	4,089	-	-	39,234
Miscellaneous current liabilities	41	-	-	-	-	41
Total liabilities	5,463,668	16,458	18,917	24,676	317	5,524,036
Deferred inflows of resources:						
Deferred revenue	1,766,475	751	996	-	-	1,768,222
Fund balances:						
Nonspendable	188,485	-	-	1,551,027	-	1,739,512
Restricted	580,002	-	-	242,181	-	822,183
Committed	734,195	1,926,426	2,242,674	-	188,032	5,091,327
Unassigned	1,233,613	-	-	-	-	1,233,613
Total fund balances	2,736,295	1,926,426	2,242,674	1,793,208	188,032	8,886,635
Total liabilities, deferred inflows of resources, and fund balances	$ 9,966,438	$ 1,943,635	$ 2,262,587	$ 1,817,884	$ 188,349	$ 16,178,893

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, 2020

Total fund balances of governmental funds (Exhibit 3)		$ 8,886,635
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	$ (78,596)	
Payables	78,596	
		-
Revenues that are not available to pay for current period expenditures are deferred in the funds.		
Unavailable tax revenue	$ 1,719,180	
Unavailable ambulance revenue	46,611	
		1,765,791
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(36,584)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes outstanding	$ 1,908,805	
Unamortized loan forgiveness	(153,517)	
Unamortized bond premium	49,782	
Capital leases outstanding	639,370	
Compensated absences payable	290,565	
Accrued landfill postclosure care costs	607,170	
Net pension liability	4,568,842	
		(7,911,017)
Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	$ 1,091,677	
Deferred inflows of resources related to pensions	(90,069)	
		1,001,608
Total net position of governmental activities (Exhibit 1)		$ 3,706,433

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, 2020

	General	Water Department	Sewer Department	Permanent	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	$ 6,490,776	$ -	$ -	$ -	$ 23,250	$ 6,514,026
Licenses, permits and fees	1,103,124	-	-	-	-	1,103,124
Intergovernmental	1,032,055	-	-	-	-	1,032,055
Charges for services	630,969	756,211	852,816	-	10,206	2,250,202
Miscellaneous	121,536	8,478	8,685	15,616	2,480	156,795
Total revenues	9,378,460	764,689	861,501	15,616	35,936	11,056,202
Expenditures:						
Current:						
General government	1,091,173	-	-	800	-	1,091,973
Public safety	3,934,342	-	-	15,340	8,621	3,958,303
Highways and streets	1,276,961	-	-	-	-	1,276,961
Sanitation	574,418	-	430,582	-	-	1,005,000
Water distribution and treatment	-	346,913	-	-	-	346,913
Health	5,956	-	-	-	-	5,956
Welfare	166,441	-	-	-	-	166,441
Culture and recreation	449,887	-	-	11,988	1,909	463,784
Conservation	6,235	-	-	-	-	6,235
Debt service:						
Principal	73,381	191,843	53,333	-	-	318,557
Interest	15,980	52,371	7,081	-	-	75,432
Capital outlay	458,465	-	-	-	-	458,465
Total expenditures	8,053,239	591,127	490,996	28,128	10,530	9,174,020
Excess (deficiency) of revenues over (under) expenditures	1,325,221	173,562	370,505	(12,512)	25,406	1,882,182
Other financing sources (uses):						
Transfers in	12,688	6,841	-	-	11,256	30,785
Transfers out	(18,097)	-	-	(12,688)	-	(30,785)
Total other financing sources and uses	(5,409)	6,841	-	(12,688)	11,256	-
Net change in fund balances	1,319,812	180,403	370,505	(25,200)	36,662	1,882,182
Fund balances, beginning, as restated, see Note III.D.	1,416,483	1,746,023	1,872,169	1,818,408	151,370	7,004,453
Fund balances, ending	$ 2,736,295	$ 1,926,426	$ 2,242,674	$ 1,793,208	$ 188,032	$ 8,886,635

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, 2020

Net change in fund balances of governmental funds (Exhibit 5)		$ 1,882,182
Amounts reported for governmental activities in the statement of activities are different because:		
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	$ (30,785)	
Transfers out	30,785	
		-
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	$ (202,616)	
Change in unavailable ambulance revenue	(6,936)	
Change in long-term receivable for loan forgiveness	(10,966)	
		(220,518)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net position.		
Repayment of bond and note principal	$ 329,523	
Amortization of bond premium	12,446	
Repayment of capital lease principal	210,400	
		552,369
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.		
Decrease in accrued interest expense	$ 8,082	
Increase in compensated absences payable	(51,818)	
		(43,736)
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	$ 320,210	
Cost of benefits earned, net of employee contributions	(767,626)	
		(447,416)
Change in net position of governmental activities (Exhibit 2)		$ 1,722,881

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, 2020

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	$ 6,230,819	$ 6,288,160	$ 57,341
Licenses, permits and fees	1,064,160	1,103,124	38,964
Intergovernmental	642,674	939,394	296,720
Charges for services	600,000	630,969	30,969
Miscellaneous	46,000	77,029	31,029
Total revenues	8,583,653	9,038,676	455,023
EXPENDITURES			
Current:			
General government	1,141,269	1,076,823	64,446
Public safety	4,074,089	3,934,342	139,747
Highways and streets	1,401,271	1,276,961	124,310
Sanitation	578,685	574,418	4,267
Health	9,854	5,956	3,898
Welfare	160,602	166,441	(5,839)
Culture and recreation	471,692	311,529	160,163
Conservation	2,886	2,885	1
Debt service:			
Principal	73,178	73,381	(203)
Interest on long-term debt	18,371	15,980	2,391
Interest on tax anticipation note	1,500	-	1,500
Capital outlay	300,000	268,256	31,744
Total expenditures	8,233,397	7,706,972	526,425
Excess of revenues over expenditures	350,256	1,331,704	981,448
Other financing sources (uses):			
Transfers in	10,000	7,516	(2,484)
Transfers out	(395,256)	(402,097)	(6,841)
Total other financing sources and uses	(385,256)	(394,581)	(9,325)
Net change in fund balance	$ (35,000)	937,123	$ 972,123
Increase in nonspendable fund balance		(48,357)	
Unassigned fund balance, beginning		2,064,027	
Unassigned fund balance, ending		$ 2,952,793	

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 (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2020

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	$ 722,672	$ 756,211	$ 33,539
Miscellaneous	-	4,188	4,188
Total revenues	722,672	760,399	37,727
EXPENDITURES			
Current:			
Water distribution and treatment	413,322	346,913	66,409
Debt service:			
Principal	191,850	191,843	7
Interest	52,500	52,371	129
Total expenditures	657,672	591,127	66,545
Excess of revenues over expenditures	65,000	169,272	104,272
Other financing uses:			
Transfers out	(65,000)	(123,274)	(58,274)
Net change in fund balance	$ -	52,839	$ 52,839
Fund balance, beginning		1,028,568	
Fund balance, ending		$ 1,081,407	

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 (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2020

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	$ 868,229	$ 852,816	$ (15,413)
Miscellaneous	-	2,965	2,965
Total revenues	868,229	855,781	(12,448)
EXPENDITURES			
Current:			
Sanitation	682,795	430,582	252,213
Debt service:			
Principal	53,334	53,333	1
Interest	7,100	7,081	19
Total expenditures	743,229	490,996	252,233
Excess of revenues over expenditures	125,000	364,785	239,785
Other financing uses:			
Transfers out	(125,000)	(150,184)	(25,184)
Net change in fund balance	$ -	214,601	$ 214,601
Fund balance, beginning		894,783	
Fund balance, ending		$ 1,109,384	

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, 2020

	Private Purpose Trust	Custodial
Assets:		
Cash and cash equivalents	$ 40,042	$ 1,401,031
Investments	282,734	610,419
Total assets	322,776	2,011,450
Liabilities	-	-
Net position:		
Held in trust for specific purposes	322,776	-
Held on behalf of school and village districts	-	2,011,450
Total net position	$ 322,776	$ 2,011,450

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, 2020

	Private Purpose Trust	Custodial
Additions:		
Receipts from Emerald Lake Village District	$ -	$ 130,146
Receipts from Hillsboro-Deering Cooperative School District	-	100,000
Investment earnings:		
Interest and dividends	13,329	36,788
Net change in fair value of investments	(8,100)	(28,718)
Total additions	5,229	238,216
Deductions:		
Trust distributions	10,000	-
Distributions to Emerald Lake Village District	-	296,964
Distributions to Hillsboro-Deering Cooperative School District	-	104,106
Total deductions	10,000	401,070
Change in net position	(4,771)	(162,854)
Net position, beginning, as restated, see Note III.D.	327,547	2,174,304
Net position, ending	$ 322,776	$ 2,011,450

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, 2020.

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.

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.

Custodial Fund – Accounts for fiduciary assets held by the Town in a custodial capacity on behalf of others. These assets are therefore not available to support the Town's own programs. The Town's custodial funds are used to account for amounts held by the trustees of trust funds that belong to the Hillsboro-Deering Cooperative School District and Emerald Lake Village District.

I.B.5. *Change in Accounting Principle*

During the year, the Town adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*. This results in a change in the measurement and presentation of the former agency fund, which is now reported as a custodial fund, and additions and deductions are now reported on the Statement of Changes in Fiduciary Net Position. The prior year's equity was restated as shown in Note III.D. to reflect this change.

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 uses are 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.
- Unassigned, which represents the remaining fund balance in the General Fund in excess of the nonspendable, restricted, and committed 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 2020, $35,000 of the General Fund’s unassigned fund balance from 2019 was so used.

Encumbrance accounting is employed by the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as commitments 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.

The notes continue on the following pages.

II.B. Reconciliation of Budgetary Basis to GAAP

General Fund

Revenues and other financing sources:	
Per Exhibit 7 (budgetary basis)	$ 9,046,192
Adjustments:	
Basis difference:	
Tax revenue deferred in the prior year	1,921,796
Tax revenue deferred in the current year	(1,719,180)
Perspective difference:	
Revenue of Library Fund	39,689
Revenue of Project Lift Fund	93,977
Revenue of Expendable Trust Fund	3,502
Transfer to Library from Permanent Fund	5,172
Per Exhibit 5 (GAAP basis)	$ 9,391,148
Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	$ 8,109,069
Adjustments:	
Basis difference:	
Encumbrances, beginning	112,045
Encumbrances, ending	(67,625)
Perspective difference:	
Expenditures of Library Fund	30,301
Expenditures of Project Lift Fund	93,057
Expenditures of Expendable Trust Fund	178,489
Transfers to Expendable Trust Fund	(384,000)
Per Exhibit 5 (GAAP basis)	$ 8,071,336
Unassigned fund balance:	
Per Exhibit 7 (budgetary basis)	$ 2,952,793
Adjustment:	
Basis difference:	
Deferred tax revenue, GAAP basis	(1,719,180)
Per Exhibit 3 (GAAP basis)	$ 1,233,613

TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2020

Water Department Fund

Revenues:	
Per Exhibit 8 (budgetary basis)	$ 760,399
Adjustment:	
Perspective difference:	
Revenue of Expendable Trust Fund	11,131
Per Exhibit 5 (GAAP basis)	$ 771,530
Expenditures and other financing uses:	
Per Exhibit 8 (budgetary basis)	$ 714,401
Adjustment:	
Perspective difference:	
Transfers to Expendable Trust Fund	(123,274)
Per Exhibit 5 (GAAP basis)	$ 591,127
Committed fund balance:	
Per Exhibit 8 (budgetary basis)	$ 1,081,407
Adjustment:	
Perspective difference:	
Equity of expendable trust fund reported in Water Department Fund	845,019
Per Exhibit 3 (GAAP basis)	$ 1,926,426

Sewer Department Fund

Revenues:	
Per Exhibit 9 (budgetary basis)	$ 855,781
Adjustment:	
Perspective difference:	
Revenue of Expendable Trust Fund	5,720
Per Exhibit 5 (GAAP basis)	$ 861,501
Expenditures and other financing uses:	
Per Exhibit 9 (budgetary basis)	$ 641,180
Adjustment:	
Perspective difference:	
Transfers to Expendable Trust Fund	(150,184)
Per Exhibit 5 (GAAP basis)	$ 490,996
Committed fund balance:	
Per Exhibit 9 (budgetary basis)	$ 1,109,384
Adjustment:	
Perspective difference:	
Equity of expendable trust fund reported in Sewer Department Fund	1,133,290
Per Exhibit 3 (GAAP basis)	$ 2,242,674

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, 2020, the Town's reporting entity had the following investments:

Closed End Funds	$ 976,523
Fixed Income Funds	436,058
Mutual Funds	34,310
Common Stock	972,405
Corporate Bonds	122,117
New Hampshire Public Deposit Investment Pool (PDIP)	1,889,466
	$ 4,430,879

The investments appear in the financial statements as follow:

Fund reporting level:	
Governmental funds - balance sheet (Exhibit 3)	$ 3,537,726
Fiduciary funds - statement of fiduciary net position (Exhibit 10)	893,153
Total	$ 4,430,879

Fair Value Measurement

The Town categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements as of December 31, 2020:

Investment	Level 1	Level 2	Level 3	Total
Corporate bonds	$ 122,117	$ -	$ -	$ 122,117
Mutual funds	34,310	-	-	34,310
Common stock	2,384,986	-	-	2,384,986
PDIP	-	1,889,466	-	1,889,466
	$ 2,541,413	$ 1,889,466	$ -	$ 4,430,879

The Town classifies its investments into Level 1, which refers to investments traded in an active market; Level 2, which refers to investments not traded on an active market but for which observable market inputs are readily available; and Level 3, which refers to investments not traded in an active market and for which no significant observable market inputs are available. Generally, Level 3 investments are valued based upon information provided by fund managers, including audited financial statements of the investment fund. The levels relate to valuation only and do not necessarily indicate a measure of risk.

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, 2020 is as follows:

	Fair Value
Baa	$ 63,027
B2	57,906
Not rated	2,420,480
Exempt from disclosure	1,889,466
	$ 4,430,879

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)
US Treasury obligations	$ 122,117	5 to 10

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, 2020, the Town had $548,708 invested in iShares Select Dividend ETF, $273,822 invested in Peyto Exploration & Development Corp, and $244,632 in SPDR Dow Jones Industrial Average ETF, representing 12.38%, 6.18%, and 5.52%, 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 $4,430,879 of investments, $2,041,413 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 2020. 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 18% per annum is charged upon redemption of liened taxes levied prior to 2019, and 14% per annum for the redemption of taxes levied thereafter. 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 2019 property taxes on June 20th.

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, 2020, upon which the 2020 property tax levy was based was:

For the New Hampshire education tax	$ 554,246,268
For the County tax	$ 594,882,788
For all other taxes	$ 594,877,788

The tax rates and amounts assessed for the year ended December 31, 2020 were as follow:

	Per $1,000 of Assessed Valuation	
Municipal portion	$10.68	$ 6,351,812
School portion:		
State of New Hampshire	$1.81	1,005,194
Local	$15.22	9,054,507
County portion	$1.02	605,917
Precinct portion:		
Emerald Lake Village	$2.40	224,839
Total property taxes assessed		$ 17,242,269

The following details the taxes receivable at year-end:

Property:	
Levy of 2020	$ 3,983,083
Unredeemed (under tax lien):	
Levy of 2019	399,638
Levy of 2018	294,587
Levy of 2017	197,692
Levy of 2016	130,951
Levies of 2015 and prior	352,812
Land use change	600
Timber	4,120
Water liens	42,239
Sewer liens	53,769
Less: allowance for estimated uncollectible taxes	(454,000)
Net taxes receivable	$ 5,005,491

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 uncollectible ambulance charges calculated as one-third of 2020 charges and 100% of previous charges. Related amounts are shown as follow:

Accounts	$ 932,259
Intergovernmental	26,887
Liens	26,148
Less: allowance for uncollectible amounts	(431,237)
Net total receivables	$ 554,057

Deferred Revenue

Deferred revenue of $1,768,222 at December 31, 2020 represents $1,719,180 of property taxes and liens, $46,611 of ambulance service charges, $751 of water user fees and $996 of sewer user fees 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 amounts. In the governmental activities, the miscellaneous amounts are reported as unearned revenue.

III.B. Liabilities

III.B.1. *Intergovernmental Payable*

The amount due to other governments at December 31, 2020 consists of $4,860,058 due to the Hillsboro-Deering Cooperative School District for the balance of the 2020-2021 district assessment, and $236,920 due to the Emerald Lake Village District for the balance of the 2020 district assessment and their share of taxes collected.

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 are as follow:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at 12/31/2020	Current Portion
General obligation bonds/notes payable:						
Water mains	$ 1,792,000	2004	2024	2.5-4.125	$ 342,000	$ 86,000
Fire station	$ 282,000	2004	2024	2.5-4.125	55,000	14,000
Library	$ 400,000	2010	2026	3.3	169,843	28,655
Water filtration (refunded)	$ 1,124,000	2012	2024	2.0-5.0	374,000	94,000
Bible Hill	$ 214,258	2012	2031	1.1	69,427	5,392
Screw pump	$ 800,000	2013	2027	2.75	217,252	53,333
Water filtration	$ 833,389	2015	2035	2.616	681,283	36,134
					1,908,805	317,514
Unamortized bond premium					49,782	12,446
Capital leases payable:						
Fire apparatus	$ 850,000	2016	2025	3.05	443,340	83,422
Highway truck	$ 224,147	2017	2021	3.09	46,172	46,172
Loader	$ 250,000	2019	2023	3.84	149,858	48,083
					639,370	177,677
Compensated absences payable:						
Vested earned leave					19,134	-
Accrued vacation leave					271,431	19,274
					290,565	19,274
Accrued landfill postclosure care costs					607,170	20,239
Net pension liability					4,568,842	-
					$ 8,064,534	$ 547,150

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, 2020, the Town reported a reduction of bonds and notes payable of $10,966, with a remaining unamortized loan forgiveness balance of $153,517.

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, 2020:

	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	$ 2,238,328	$ 62,228	$ 849,770	$ 238,747	$ 607,170	$ 3,477,452	$ 7,473,695
Additions	-	-	-	51,818	-	1,091,390	1,143,208
Reductions	(329,523)	(12,446)	(210,400)	-	-	-	(552,369)
Balance, ending	$ 1,908,805	$ 49,782	$ 639,370	$ 290,565	$ 607,170	$ 4,568,842	$ 8,064,534

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
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	84,156	16,709	100,865
2026-2030	279,438	56,735	336,173
2031-2035	265,421	20,349	285,770
Totals	$ 1,908,805	$ 276,029	$ 2,184,834

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

Year Ending December 31,	Principal	Interest	Total
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	$ 639,370	$ 54,461	$ 693,831

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, 2020. 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, 2020. 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	$ 10,240
General	Sewer Department	8,857
General	Permanent	24,676
General	Nonmajor	317
Nonmajor	General	34,506
		$ 78,596

The amounts due to the general fund from the water and sewer department funds represent reimbursement of payroll charges. The amount due to the general fund from the permanent fund represents interest earned on trust funds. 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	Water Department Fund	Nonmajor Funds	Total
Transfers out:				
General fund	$ -	$ 6,841	$ 11,256	$ 18,097
Permanent fund	12,688	-	-	12,688
	$ 12,688	$ 6,841	$ 11,256	$ 30,785

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

III.D. Equity Restatement

The beginning equity balances were restated as follows:

	Govermental Activities	General Fund	Custodial Fund
To restrict escrow cash	$ 8,254	$ 8,254	$ -
To adopt new accounting principle	-	-	2,174,304
Net position/fund balance, as previously reported	1,975,298	1,408,229	-
Net position/fund balance, as restated	$ 1,983,552	$ 1,416,483	$ 2,174,304

The notes continue on the following page.

III.E. 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	$ -	$ -	$ -	$ 1,551,027	$ -
Prepaid items	75,715	-	-	-	-
Tax deeded property	112,770	-	-	-	-
Total nonspendable	188,485	-	-	1,551,027	-
Restricted:					
General government	-	-	-	242,181	-
Culture and recreation	580,002	-	-	-	-
Total restricted	580,002	-	-	242,181	-
Committed:					
Public safety	-	-	-	-	19,719
Sanitation	-	-	2,242,674	-	-
Water distribution and treatment	-	1,926,426	-	-	-
Culture and recreation	-	-	-	-	8,650
Conservation	-	-	-	-	159,663
Capital outlay	734,195	-	-	-	-
Total committed	734,195	1,926,426	2,242,674	-	188,032
Unassigned	1,233,613	-	-	-	-
Total fund balance	$ 2,736,295	$ 1,926,426	$ 2,242,674	$ 1,793,208	$ 188,032

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 2020 to be recorded as an insurance expenditure/expense totaled $74,586 for property/liability, and $58,054 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 year were 28.43% for police 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 2018, 2019, and 2020 were $356,330, $371,206, and $367,299 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, 2020, the Town reported a liability of $4,568,842 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, 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, 2020, the Town's proportion was 0.0714%, which was a decrease of 0.0009% from its proportion reported as of December 31, 2019.

For 2020, the Town recognized pension expense of $767,626. 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	$ 69,652	$ 41,013
Net differences between projected and actual earnings on pension plan investments	282,588	-
Changes in assumptions	451,949	-
Differences between expected and actual experience	123,381	49,056
Town contributions subsequent to the measurement date	164,107	-
	$ 1,091,677	$ 90,069

The Town reported $164,107 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,	
2021	$ 185,038
2022	215,479
2023	232,863
2024	204,121
	$ 837,501

Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry-Age Normal
Amortization Period	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	19 years, beginning July 1, 2020
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	2.45% per year
Investment Rate of Return	7.25% net of pension plan investment expenses, including inflation
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	RP-2014 Healthy Annuitant and Employee Generational Mortality Table for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015 based on the 2010-2015 experience study

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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate.

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Town's proportionate share of net pension liability	$ 5,914,791	$ 4,568,842	$ 3,469,023

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

	2020	2019	2018	2017	2016	2015	2014
Town's proportion of net pension liability	0.0714%	0.0723%	0.0707%	0.0712%	0.0684%	0.0649%	0.0624%
Town's proportionate share of the net pension liability	$ 4,568,842	$ 3,477,452	$ 3,403,243	$ 3,502,638	$ 3,635,288	$ 2,570,826	$ 2,341,255
Town's covered-employee payroll	$ 1,286,577	$ 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	355.12%	272.27%	282.69%	307.12%	331.56%	243.21%	235.72%
Plan fiduciary position as a percentage of the total pension liability	58.72%	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

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 367,299	$ 371,206	$ 356,330	$ 320,383	$ 291,317	$ 275,436	$ 253,083
Contribution in relation to the contractually required contribution	(367,299)	(371,206)	(356,330)	(320,383)	(291,317)	(275,436)	(253,083)
Contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Town's covered-employee payroll	$ 1,286,577	$ 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	28.55%	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, 2020

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 sixth year that the Town has presented the pension schedules, only seven 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, 2020

	Special Revenue Funds				
	Police Detail	Parks and Recreation Revolving	Conservation	Youth Services	Total
ASSETS					
Cash and cash equivalents	$ 19,399	$ 3,029	$ -	$ 5,776	$ 28,204
Investments	-	-	125,157	-	125,157
Accounts receivable	320	-	-	162	482
Interfund receivable	-	-	34,506	-	34,506
Total assets	$ 19,719	$ 3,029	$ 159,663	$ 5,938	$ 188,349
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund payable	$ -	$ -	$ -	$ 317	$ 317
Fund balances:					
Committed	19,719	3,029	159,663	5,621	188,032
Total liabilities and fund balances	$ 19,719	$ 3,029	$ 159,663	$ 5,938	$ 188,349

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, 2020

	Special Revenue Funds				
	Police Detail	Parks and Recreation Revolving	Conservation	Youth Services	Total
REVENUES					
Taxes	$ -	$ -	$ 23,250	$ -	$ 23,250
Charges for services	10,206	-	-	-	10,206
Miscellaneous	15	-	704	1,761	2,480
Total revenues	10,221	-	23,954	1,761	35,936
EXPENDITURES					
Current:					
Public safety	8,621	-	-	-	8,621
Culture and recreation	-	-	-	1,909	1,909
Total expenditures	8,621	-	-	1,909	10,530
Excess (deficiency) of revenues over (under) expenditures	1,600	-	23,954	(148)	25,406
Other financing sources:					
Transfers in	-	-	11,256	-	11,256
Net change in fund balances	1,600	-	35,210	(148)	36,662
Fund balances, beginning	18,119	3,029	124,453	5,769	151,370
Fund balances, ending	$ 19,719	$ 3,029	$ 159,663	$ 5,621	$ 188,032

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, 2020

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	$ 5,963,381	$ 5,985,418	$ 22,037
Land use change	-	23,250	23,250
Timber	18,000	17,989	(11)
Excavation	1,320	1,320	-
Payments in lieu of taxes	3,118	2,640	(478)
Interest and penalties on delinquent taxes	245,000	257,543	12,543
Total taxes	6,230,819	6,288,160	57,341
Licenses, permits and fees:			
Business licenses and permits	660	1,020	360
Motor vehicle permits	1,020,000	1,054,391	34,391
Building permits	40,000	45,371	5,371
Other	3,500	2,342	(1,158)
Total licenses, permits and fees	1,064,160	1,103,124	38,964
Intergovernmental:			
State sources:			
Municipal aid	134,559	134,559	-
Meals and rooms distributions	303,211	303,211	-
Highway block grant	181,157	181,137	(20)
Water pollution grant	6,844	3,424	(3,420)
State and federal forest land	1,903	1,903	-
Federal sources:			
Sidewalk TAP grant	-	39,318	39,318
Public safety grants	-	18,473	18,473
Public Health and Social Services Emergency Fund	-	7,298	7,298
CARES Act election grant	-	5,682	5,682
GOFERR	-	141,682	141,682
1st Responders stipend	-	59,807	59,807
Other government sources (Windsor, Deering)	15,000	42,900	27,900
Total intergovernmental	642,674	939,394	296,720
Charges for services:			
Income from departments	600,000	630,969	30,969
Miscellaneous:			
Sale of town owned property	1,000	1,040	40
Interest on investments	25,000	21,588	(3,412)
Rent of property	-	11,771	11,771
Fines and forfeits	-	563	563
Insurance dividends and reimbursements	-	30,976	30,976
Other	20,000	11,091	(8,909)
Total miscellaneous	46,000	77,029	31,029
Other financing sources:			
Transfers in:			
Nonmajor funds	10,000	7,516	(2,484)
Total revenues and other financing sources	8,593,653	$ 9,046,192	$ 452,539
Fund balance used to reduce taxe rate	35,000		
Total revenues, other financing sources and use of fund balance	$ 8,628,653		

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, 2020

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	$ 10,150	$ 444,020	$ 429,956	$ -	$ 24,214
Election and registration	-	11,306	14,209	-	(2,903)
Financial administration	-	223,031	199,696	-	23,335
Revaluation of property	-	85,000	85,841	-	(841)
Legal	-	13,500	13,649	-	(149)
Planning and zoning	-	134,591	130,191	-	4,400
General government buildings	-	56,704	48,185	-	8,519
Cemeteries	-	28,575	29,773	-	(1,198)
Insurance, not otherwise allocated	-	140,539	134,394	-	6,145
Other	-	4,003	1,079	-	2,924
Total general government	10,150	1,141,269	1,086,973	-	64,446
Public safety:					
Police	-	2,448,946	2,348,089	-	100,857
Fire	-	773,912	779,200	-	(5,288)
Building inspection	-	84,903	83,721	-	1,182
Emergency management	-	10,000	8,111	-	1,889
Other	-	756,328	715,221	-	41,107
Total public safety	-	4,074,089	3,934,342	-	139,747
Highways and streets:					
Highways and streets	-	1,346,271	1,222,205	-	124,066
Street lighting	-	55,000	54,756	-	244
Total highways and streets	-	1,401,271	1,276,961	-	124,310
Sanitation:					
Solid waste disposal	-	578,685	574,418	-	4,267
Health:					
Pest control	-	5,854	1,956	-	3,898
Health agencies and hospitals	-	4,000	4,000	-	-
Total health	-	9,854	5,956	-	3,898
Welfare:					
Administration and direct assistance	-	160,602	166,441	-	(5,839)

(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, 2020

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Culture and recreation:					
Parks and recreation	15,000	187,648	83,221	-	119,427
Public library	-	250,043	232,038	-	18,005
Patriotic purposes	-	17,501	895	-	16,606
Other	-	16,500	10,375	-	6,125
Total culture and recreation	15,000	471,692	326,529	-	160,163
Conservation	3,350	2,886	6,235	-	1
Debt service:					
Principal	-	73,178	73,381	-	(203)
Interest on long-term debt	-	18,371	15,980	-	2,391
Interest on tax anticipation note	-	1,500	-	-	1,500
Total debt service	-	93,049	89,361	-	3,688
Capital outlay:					
Machinery, vehicles and equipment	-	50,000	18,255	-	31,745
Improvements other than buildings	83,545	250,000	265,921	67,625	(1)
Total capital outlay	83,545	300,000	284,176	67,625	31,744
Other financing uses:					
Transfers out:					
Expendable trust fund	-	384,000	384,000	-	-
Nonmajor funds	-	11,256	18,097	-	(6,841)
Total other financing uses	-	395,256	402,097	-	(6,841)
Total encumbrances, appropriations, expenditures and other financing uses	$ 112,045	$ 8,628,653	$ 8,153,489	$ 67,625	$ 519,584

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, 2020

Unassigned fund balance, beginning		$ 2,064,027
Changes:		
Unassigned fund balance used to reduce tax rate		(35,000)
Budget summary:		
Revenue shortfall (Exhibit 16)	$ 452,539	
Unexpended balance of appropriations (Exhibit 17)	519,584	
Budget surplus		972,123
Increase in nonspendable fund balance		(48,357)
Unassigned fund balance, ending		$ 2,952,793

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, 2020, 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

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)

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

The Town has a compensated absences payable of $290,565 as of December 31, 2020, an increase of $51,818 from 2019. 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
November 23, 2021