TOWN OF HILLSBOROUGH, NEW HAMPSHIRE

FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2021

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R&G

Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S REPORT

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

Adverse and Unmodified Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Adverse Opinion on Governmental Activities

In our opinion, because of the effects of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, 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, 2021, 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.

Unmodified Opinion on Each Major Fund and Aggregate Remaining Fund Information

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, 2021, and the respective changes in financial position thereof and the budget to actual comparison for the major funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town, and to meet other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

Matters Giving Rise to Adverse Opinion on Governmental Activities

As discussed in Note I.B.3. to the financial statements, 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 mount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

Also as discussed in Note I.B.3. to the financial statements, management has not determined its liability or annual cost 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,

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decrease net position, and increase expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses of the governmental activities is not reasonably determinable.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with governance regarding, among other matters, the planned scope and timing of the audit, any significant audit findings, and certain internal control related matters that we identified during the audit.

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.

Supplementary 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.

Roberts & Greene, PLLC

Concord, New Hampshire
November 18, 2022

BASIC FINANCIAL STATEMENTS

EXHIBIT 1
TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
Statement of Net Position
December 31, 2021

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 9,119,717
Investments	3,836,195
Intergovernmental receivable	13,971
Other receivables, net of allowance for uncollectibles	4,523,911
Prepaid items	15,224
Tax deeded property held for resale	122,890
Total assets	17,631,908
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pensions	626,270
LIABILITIES	
Accounts payable	248,517
Accrued payroll and benefits	89,792
Accrued interest payable	24,345
Intergovernmental payable	5,351,810
Performance and escrow deposits	5,000
Other current liabilities	41
Noncurrent obligations:	
Due within one year:	
Bonds and notes payable	272,925
Unamortized bond premium	12,446
Capital leases payable	135,895
Compensated absences payable	9,159
Accrued landfill postclosure care costs	20,239
Due in more than one year:	
Bonds and notes payable	1,272,382
Unamortized bond premium	24,890
Capital leases payable	325,798
Compensated absences payable	307,981
Accrued landfill postclosure care costs	586,931
Net pension liability	2,986,290
Total liabilities	11,674,441
DEFERRED INFLOWS OF RESOURCES	
Unearned revenue	319,298
Deferred amounts related to pensions	1,063,538
Total deferred inflows of resources	1,382,836
NET POSITION	
Net investment in capital assets	(1,901,785)
Restricted for:	
Endowments:	
Nonexpendable	1,723,892
Expendable	320,845
Other purposes	575,163
Unrestricted	4,482,786
Total net position	$ 5,200,901

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, 2021

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	$ 1,089,890	$ 16,784	$ -	$ -	$ (1,073,106)
Public safety	3,920,172	493,268	871	-	(3,426,033)
Highways and streets	1,338,070	-	-	192,069	(1,146,001)
Sanitation	1,280,768	1,131,716	-	-	(149,052)
Water distribution and treatment	413,871	716,380	6,547	-	309,056
Health	8,029	-	-	-	(8,029)
Welfare	134,436	-	-	-	(134,436)
Culture and recreation	455,547	-	-	-	(455,547)
Conservation	4,594	-	-	-	(4,594)
Interest on long-term debt	44,033	-	-	-	(44,033)
Capital outlay	537,222	-	-	-	(537,222)
Total primary government	$ 9,226,632	$ 2,358,148	$ 7,418	$ 192,069	(6,668,997)

General revenues:	
Property taxes	5,694,677
Other taxes	338,912
Licenses and permits	1,155,412
Grants and contributions not restricted to specific programs	442,008
Miscellaneous	528,568
Total general revenues	8,159,577
Change in net position	1,490,580
Net position, beginning, as restated, see Note III.D.	3,710,321
Net position, ending	$ 5,200,901

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, 2021

	General	Water Department	Sewer Department	Permanent	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 6,137,933	$ 1,181,261	$ 1,614,558	$ 141,809	$ 44,156	$ 9,119,717
Investments	582,874	668,958	508,025	1,916,646	159,692	3,836,195
Receivables, net of allowance for uncollectibles:						
Taxes	3,880,964	-	-	-	-	3,880,964
Accounts	98,790	171,445	226,146	-	4,015	500,396
Intergovernmental	13,971	-	-	-	-	13,971
Interfund receivable	21,315	-	48	-	26,755	48,118
Prepaid items	66,298	-	-	-	-	66,298
Tax deeded property held for resale	122,890	-	-	-	-	122,890
Total assets	$ 10,925,035	$ 2,021,664	$ 2,348,777	$ 2,058,455	$ 234,618	$ 17,588,549
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 239,698	$ 2,695	$ 6,124	$ -	$ -	$ 248,517
Accrued salaries and benefits	83,766	3,182	2,844	-	-	89,792
Intergovernmental payable	5,351,810	-	-	-	-	5,351,810
Interfund payable	26,755	3,919	3,726	13,718	-	48,118
Escrow and performance deposits	5,000	-	-	-	-	5,000
Other current liabilities	41	-	-	-	-	41
Total liabilities	5,707,070	9,796	12,694	13,718	-	5,743,278
Deferred inflows of resources:						
Deferred revenue	2,158,378	2,499	1,941	-	-	2,162,818
Fund balances:						
Nonspendable	189,188	-	-	1,723,892	-	1,913,080
Restricted	575,163	-	-	320,845	-	896,008
Committed	1,105,228	2,009,369	2,334,142	-	234,618	5,683,357
Assigned	9,500	-	-	-	-	9,500
Unassigned	1,180,508	-	-	-	-	1,180,508
Total fund balances	3,059,587	2,009,369	2,334,142	2,044,737	234,618	9,682,453
Total liabilities, deferred inflows of resources, and fund balances	$ 10,925,035	$ 2,021,664	$ 2,348,777	$ 2,058,455	$ 234,618	$ 17,588,549

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, 2021

Total fund balances of governmental funds (Exhibit 3)		$ 9,682,453
Amounts reported for governmental activities in the statement of net position are different because:		
Payments not due until the subsequent period are recorded as prepaid in the governmental funds.		
Prepaid principal and interest on debt		(51,074)
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	$ (48,118)	
Payables	48,118	
		-
Revenues that are not available to pay for current period expenditures are deferred in the funds.		
Unavailable tax revenue	$ 1,807,332	
Unavailable ambulance revenue	36,188	
		1,843,520
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(24,345)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes outstanding	$ 1,545,307	
Unamortized loan forgiveness	(142,551)	
Unamortized bond premium	37,336	
Capital leases outstanding	461,693	
Compensated absences payable	317,140	
Accrued landfill postclosure care costs	607,170	
Net pension liability	2,986,290	
		(5,812,385)
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	$ 626,270	
Deferred inflows of resources related to pensions	(1,063,538)	
		(437,268)
Total net position of governmental activities (Exhibit 1)		$ 5,200,901

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, 2021

	General	Water Department	Sewer Department	Permanent	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	$ 5,918,683	$ -	$ -	$ -	$ 26,755	$ 5,945,438
Licenses, permits and fees	1,155,412	-	-	-	-	1,155,412
Intergovernmental	681,874	-	-	-	-	681,874
Charges for services	736,406	716,381	849,488	-	57,250	2,359,525
Miscellaneous	172,143	3,696	3,740	307,938	9,716	497,233
Total revenues	8,664,518	720,077	853,228	307,938	93,721	10,639,482
Expenditures:						
Current:						
General government	1,076,319	-	-	4,295	-	1,080,614
Public safety	4,049,388	-	-	32,259	47,135	4,128,782
Highways and streets	1,434,542	-	-	-	-	1,434,542
Sanitation	577,061	-	702,860	-	-	1,279,921
Water distribution and treatment	-	412,982	-	-	-	412,982
Health	8,029	-	-	-	-	8,029
Welfare	135,144	-	-	-	-	135,144
Culture and recreation	446,571	-	-	8,976	-	455,547
Conservation	4,594	-	-	-	-	4,594
Debt service:						
Principal	74,004	179,226	53,333	-	-	306,563
Interest	13,119	44,927	5,567	-	-	63,613
Capital outlay	537,222	-	-	-	-	537,222
Total expenditures	8,355,993	637,135	761,760	45,530	47,135	9,847,553
Excess of revenues over expenditures	308,525	82,942	91,468	262,408	46,586	791,929
Other financing sources (uses):						
Transfers in	10,879	-	-	-	-	10,879
Transfers out	-	-	-	(10,879)	-	(10,879)
Total other financing sources and uses	10,879	-	-	(10,879)	-	-
Net change in fund balances	319,404	82,942	91,468	251,529	46,586	791,929
Fund balances, beginning, as restated, see Note III.D.	2,740,183	1,926,427	2,242,674	1,793,208	188,032	8,890,524
Fund balances, ending	$ 3,059,587	$ 2,009,369	$ 2,334,142	$ 2,044,737	$ 234,618	$ 9,682,453

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, 2021

Net change in fund balances of governmental funds (Exhibit 5)		$ 791,929
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		2,586
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	$ (10,879)	
Transfers out	10,879	
		-
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	$ 88,152	
Change in unavailable ambulance revenue	(10,422)	
Change in long-term receivable for loan forgiveness	(10,966)	
		66,764
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	$ 316,498	
Amortization of bond premium	12,446	
Repayment of capital lease principal	177,677	
		506,621
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	$ 5,579	
Increase in compensated absences payable	(26,575)	
		(20,996)
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	$ 348,732	
Cost of benefits earned, net of employee contributions	(205,056)	
		143,676
Change in net position of governmental activities (Exhibit 2)		$ 1,490,580

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, 2021

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	$ 6,085,060	$ 6,006,837	$ (78,223)
Licenses, permits and fees	1,098,400	1,155,412	57,012
Intergovernmental	636,336	650,540	14,204
Charges for services	475,000	736,406	261,406
Miscellaneous	55,840	149,620	93,780
Total revenues	8,350,636	8,698,815	348,179
EXPENDITURES			
Current:			
General government	1,119,834	1,071,516	48,318
Public safety	4,107,492	4,049,388	58,104
Highways and streets	1,512,345	1,504,542	7,803
Sanitation	610,731	586,561	24,170
Health	9,315	8,029	1,286
Welfare	179,491	135,144	44,347
Culture and recreation	484,035	373,499	110,536
Conservation	4,542	4,594	(52)
Debt service:			
Principal	74,000	74,004	(4)
Interest on long-term debt	16,000	13,119	2,881
Interest on tax anticipation note	1,500	-	1,500
Capital outlay	250,000	330,493	(80,493)
Total expenditures	8,369,286	8,150,889	218,397
Excess (deficiency) of revenues over (under) expenditures	(18,650)	547,926	566,576
Other financing sources (uses):			
Transfers in	8,000	4,152	(3,848)
Transfers out	(510,000)	(510,000)	-
Total other financing sources and uses	(502,000)	(505,848)	(3,848)
Net change in fund balance	$ (520,650)	42,078	$ 562,728
Increase in nonspendable fund balance		(703)	
Increase in restricted fund balance		(876)	
Unassigned fund balance, beginning		2,947,343	
Unassigned fund balance, ending		$ 2,987,842	

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, 2021

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	$ 730,470	$ 716,381	$ (14,089)
Miscellaneous	-	1,146	1,146
Total revenues	730,470	717,527	(12,943)
EXPENDITURES			
Current:			
Water distribution and treatment	407,695	412,982	(5,287)
Debt service:			
Principal	192,600	179,226	13,374
Interest	45,175	44,927	248
Total expenditures	645,470	637,135	8,335
Excess of revenues over expenditures	85,000	80,392	(4,608)
Other financing uses:			
Transfers in	-	56,495	56,495
Transfers out	(85,000)	(85,000)	-
Total other financing sources and uses	(85,000)	(28,505)	56,495
Net change in fund balance	$ -	51,887	$ 51,887
Fund balance, beginning		1,081,407	
Fund balance, ending		$ 1,133,294	

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, 2021

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	$ 868,769	$ 849,488	$ (19,281)
Miscellaneous	-	496	496
Total revenues	868,769	849,984	(18,785)
EXPENDITURES			
Current:			
Sanitation	674,810	702,859	(28,049)
Debt service:			
Principal	53,334	53,333	1
Interest	5,625	5,567	58
Total expenditures	733,769	761,760	(27,991)
Excess of revenues over expenditures	135,000	88,224	(46,776)
Other financing uses:			
Transfers in	-	204,924	204,924
Transfers out	(135,000)	(135,000)	-
Total other financing sources and uses	(135,000)	69,924	204,924
Net change in fund balance	$ -	158,148	$ 158,148
Fund balance, beginning		1,109,384	
Fund balance, ending		$ 1,267,532	

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, 2021

	Private Purpose Trust	Custodial
Assets:		
Cash and cash equivalents	$ 37,626	$ 1,575,472
Investments	324,134	678,198
Total assets	361,760	2,253,670
Liabilities	-	-
Net position:		
Held in trust for specific purposes	361,760	-
Held on behalf of school and village districts	-	2,253,670
Total net position	$ 361,760	$ 2,253,670

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, 2021

	Private Purpose Trust	Custodial
Additions:		
Receipts from Emerald Lake Village District	$ -	$ 70,000
Receipts from Hillsboro-Deering Cooperative School District	-	200,000
Investment earnings:		
Interest and dividends	10,933	34,280
Net change in fair value of investments	39,251	49,161
Total additions	50,184	353,441
Deductions:		
Trust distributions	11,200	-
Distributions to Emerald Lake Village District	-	81,000
Distributions to Hillsboro-Deering Cooperative School District	-	30,221
Total deductions	11,200	111,221
Change in net position	38,984	242,220
Net position, beginning	322,776	2,011,450
Net position, ending	$ 361,760	$ 2,253,670

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, 2021.

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 their historical cost 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, in which the principal must be permanently invested and the income is used to support 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.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 drug forfeiture account, 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 drug forfeiture account, 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, 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 2021, none of the General Fund's unassigned fund balance from 2020 was so used, while $520,650 of the General Fund's fund balance was appropriated.

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.

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)	$ 8,702,967
Adjustments:	
Basis difference:	
Tax revenue deferred in the prior year	1,719,180
Tax revenue deferred in the current year	(1,807,332)
Perspective difference:	
Revenue of Library Fund	19,921
Revenue of Project Lift Fund	31,374
Revenue of Expendable Trust Fund	2,561
Transfer to Library from Permanent Fund	6,728
Per Exhibit 5 (GAAP basis)	$ 8,675,399
Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	$ 8,660,889
Adjustments:	
Basis difference:	
Encumbrances, beginning	67,625
Encumbrances, ending	(231,462)
Perspective difference:	
Expenditures of Library Fund	20,101
Expenditures of Project Lift Fund	52,974
Expenditures of Expendable Trust Fund	295,866
Transfers to Expendable Trust Fund	(510,000)
Per Exhibit 5 (GAAP basis)	$ 8,355,993
Unassigned fund balance:	
Per Exhibit 7 (budgetary basis)	$ 2,987,842
Adjustment:	
Basis difference:	
Deferred tax revenue, GAAP basis	(1,807,332)
Per Exhibit 3 (GAAP basis)	$ 1,180,510

Water Department Fund

Revenues:	
Per Exhibit 8 (budgetary basis)	$ 774,022
Adjustments:	
Perspective difference:	
Revenue of Expendable Trust Fund	2,550
Transfers from Expendable Trust Fund	(56,495)
Per Exhibit 5 (GAAP basis)	$ 720,077
Expenditures and other financing uses:	
Per Exhibit 8 (budgetary basis)	$ 722,135
Adjustments:	
Perspective difference:	
Transfers to Expendable Trust Fund	(85,000)
Per Exhibit 5 (GAAP basis)	$ 637,135
Committed fund balance:	
Per Exhibit 8 (budgetary basis)	$ 1,133,294
Adjustment:	
Perspective difference:	
Equity of expendable trust fund reported in Water Department Fund	876,075
Per Exhibit 3 (GAAP basis)	$ 2,009,369

Sewer Department Fund

Revenues:	
Per Exhibit 9 (budgetary basis)	$ 1,054,908
Adjustment:	
Perspective difference:	
Revenue of Expendable Trust Fund	3,244
Transfers from Expendable Trust Fund	(204,924)
Per Exhibit 5 (GAAP basis)	$ 853,228
Expenditures and other financing uses:	
Per Exhibit 9 (budgetary basis)	$ 896,760
Adjustment:	
Perspective difference:	
Transfers to Expendable Trust Fund	(135,000)
Per Exhibit 5 (GAAP basis)	$ 761,760
Committed fund balance:	
Per Exhibit 9 (budgetary basis)	$ 1,267,532
Adjustment:	
Perspective difference:	
Equity of expendable trust fund reported in Sewer Department Fund	1,066,610
Per Exhibit 3 (GAAP basis)	$ 2,334,142

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, 2021, the Town's reporting entity had the following investments:

Mutual Funds	$ 2,603,203
Common Stock	198,224
Corporate Bonds	117,552
New Hampshire Public Deposit Investment Pool (PDIP)	1,919,548
	$ 4,838,527

The investments appear in the financial statements as follow:

Fund reporting level:	
Governmental funds - balance sheet (Exhibit 3)	$ 3,836,195
Fiduciary funds - statement of fiduciary net position (Exhibit 10)	1,002,332
Total	$ 4,838,527

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, 2021:

Investment	Level 1	Level 2	Total
Corporate bonds	$ 117,552	$ -	$ 117,552
Mutual funds	2,603,203	-	2,603,203
Common stock	198,224	-	198,224
PDIP	-	1,919,548	1,919,548
	$ 2,918,979	$ 1,919,548	$ 4,838,527

The Town classifies its investments into Level 1, which refers to investments traded in an active market and Level 2, which refers to investments not traded on an active market but for which observable market inputs are readily available. 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, 2021 is as follows:

	Fair Value
Baa2	$ 58,970
B2	55,625
Not rated	2,804,384
Exempt from disclosure	1,919,548
	$ 4,838,527

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)
Corporate bonds	$ 114,595	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.

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 $4,838,527 of investments, $2,418,979 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 not collected by the due dates. 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 2020 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, 2021, upon which the 2021 property tax levy was based was:

For the New Hampshire education tax	$ 557,121,853
For all other taxes	$ 602,737,553

The tax rates and amounts assessed for the year ended December 31, 2021 were as follow:

	Per $1,000 of Assessed Valuation	
Municipal portion	$10.35	$ 6,233,033
School portion:		
State of New Hampshire	$1.84	1,025,486
Local	$15.74	9,489,130
County portion	$0.99	599,588
Precinct portion:		
Emerald Lake Village District	$2.80	263,505
Total property taxes assessed		$ 17,610,742

This note continues on the following page.

The following details the taxes receivable at year-end:

Property:	
Levy of 2021	$ 2,853,330
Unredeemed (under tax lien):	
Levy of 2020	371,403
Levy of 2019	270,680
Levy of 2018	190,241
Levy of 2017	146,446
Levies of 2016 and prior	419,030
Land use change	2,850
Timber	2,681
Water liens	45,181
Sewer liens	43,122
Less: allowance for estimated uncollectible taxes	(464,000)
Net taxes receivable	$ 3,880,964

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 2021 charges and 100% of previous charges. Related amounts are shown as follow:

Accounts	$ 678,308
Intergovernmental	13,971
Liens	26,148
Less: allowance for uncollectible amounts	(204,060)
Net total receivables	$ 514,367

Deferred Revenue

Deferred revenue of $2,162,818 at December 31, 2021 represents $1,807,332 of property taxes and liens and $36,188 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; $314,174 of federal grants not recognized until expended, $2,499 of prepaid water user fees and $1,941 of prepaid sewer user fees, and $684 of miscellaneous amounts. In the governmental activities, the grants, prepaid user fees, and miscellaneous amounts are reported as unearned revenue.

III.B. Liabilities

III.B.1. *Intergovernmental Payable*

The amount due to other governments at December 31, 2021 of $5,351,810 consists of $5,006,384 due to the Hillsboro-Deering Cooperative School District for the balance of the 2021-2022 district assessment, $287,444 due to the Emerald Lake Village District for the balance of the 2021 district assessment and its share of taxes collected, $55,699 due to the New Hampshire Retirement System for December contributions, $1,283 in miscellaneous fees to the State of New Hampshire, and $1,000 to the Town of Henniker for EMS intercept fees.

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 12/31/2021	Current Portion
General obligation bonds/notes payable:						
Water mains	$ 1,792,000	2004	2024	2.5-4.125	$ 256,000	$ 86,000
Fire station	$ 282,000	2004	2024	2.5-4.125	41,000	14,000
Library	$ 400,000	2010	2026	3.3	141,204	29,608
Water filtration (refunded)	$ 1,124,000	2012	2024	2.0-5.0	234,000	47,000
Bible Hill	$ 214,258	2012	2031	1.1	64,035	5,559
Screw pump	$ 800,000	2013	2027	2.75	163,919	53,333
Water filtration	$ 833,389	2015	2035	2.616	645,149	37,425
					1,545,307	272,925
Unamortized bond premium					37,336	12,446
Capital leases payable:						
Fire apparatus	$ 850,000	2016	2025	3.05	359,918	85,966
Loader	$ 250,000	2019	2023	3.84	101,775	49,929
					461,693	135,895
Compensated absences payable:						
Vested earned leave					17,745	-
Accrued vacation leave					299,395	9,159
					317,140	9,159
Accrued landfill postclosure care costs					607,170	20,239
Net pension liability					2,986,290	-
					$ 5,954,936	$ 450,664

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, 2021, the Town reported a reduction of bonds and notes payable of $10,966, with a remaining unamortized loan forgiveness balance of $142,551. The amount is included in the summary below.

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, 2021:

	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	$ 1,861,805	$ 49,782	$ 639,370	$ 290,565	$ 607,170	$ 4,568,842	$ 8,017,534
Additions	-	-	-	26,575	-	-	26,575
Reductions	(316,498)	(12,446)	(177,677)	-	-	(1,582,552)	(2,089,173)
Balance, ending	$ 1,545,307	$ 37,336	$ 461,693	$ 317,140	$ 607,170	$ 2,986,290	$ 5,954,936

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
2022	$ 272,925	$ 51,935	$ 324,860
2023	321,406	40,127	361,533
2024	321,945	26,509	348,454
2025	84,156	16,709	100,865
2026	65,912	14,293	80,205
2027-2031	271,345	49,421	320,766
2032-2035	207,618	13,370	220,988
Totals	$ 1,545,307	$ 212,364	$ 1,757,671

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

Year Ending December 31,	Principal	Interest	Total
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	$ 461,693	$ 33,757	$ 495,450

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 an indefinite period. An estimated liability has been recorded based on the future postclosure care costs that will be incurred over the next thirty years on a rolling basis. The estimated liability for landfill postclosure care costs has a balance of $607,170 as of December 31, 2021. 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, 2021. 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	$ 3,871
General	Sewer Department	3,726
General	Permanent	13,718
Sewer Department	Water Department	48
Nonmajor	General	26,755
		$ 48,118

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. The amount due to the Sewer Department Fund from the Water Department Fund 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.

During the year, the Permanent Fund transferred $10,879 to the General Fund representing income earned for general government purposes.

III.D. Equity Restatement

The beginning equity balances were restated as follow:

	Govermental Activities	General Fund
To record cash held in escrow	$ 9,338	$ 9,338
To correct interfund payable	(5,450)	(5,450)
Net position/fund balance, as previously reported	3,706,433	2,736,295
Net position/fund balance, as restated	$ 3,710,321	$ 2,740,183

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 Fund	Sewer Department Fund	Permanent Fund	Nonmajor Funds
Nonspendable:					
Endowments	$ -	$ -	$ -	$ 1,723,892	$ -
Prepaid items	66,298	-	-	-	-
Tax deeded property	122,890	-	-	-	-
Total nonspendable	189,188	-	-	1,723,892	-
Restricted:					
General government	-	-	-	320,845	-
Culture and recreation	575,163	-	-	-	-
Total restricted	575,163	-	-	320,845	-
Committed:					
Public safety	-	-	-	-	45,142
Sanitation	-	-	2,334,142	-	-
Water distribution and treatment	-	2,009,369	-	-	-
Culture and recreation	-	-	-	-	3,029
Conservation	-	-	-	-	186,447
Capital outlay	1,105,228	-	-	-	-
Total committed	1,105,228	2,009,369	2,334,142	-	234,618
Assigned for sanitation	9,500	-	-	-	-
Unassigned	1,180,508	-	-	-	-
Total fund balance	$ 3,059,587	$ 2,009,369	$ 2,334,142	$ 2,044,737	$ 234,618

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 2021 to be recorded as an insurance expenditure/expense totaled $79,641 for property/liability, and $52,929 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 were 28.43% for police and 30.09% for fire employees for the first six months of the year, increasing on July 1 to 33.88% and 32.99%, respectively. 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 2019, 2020, and 2021 were $371,206, $367,299, and $391,435 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, 2021, the Town reported a liability of $2,986,290 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020, 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, 2021, the Town's proportion was 0.0674%, which was a decrease of 0.0040% from its proportion reported as of December 31, 2020.

For 2021, the Town recognized pension expense of $205,056. 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	$ 27,477	$ 197,077
Net differences between projected and actual earnings on pension plan investments	-	835,197
Changes in assumptions	311,901	-
Differences between expected and actual experience	83,620	31,264
Town contributions subsequent to the measurement date	203,272	-
	$ 626,270	$ 1,063,538

The Town reported $203,272 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,		
2022	$	(112,077)
2023		(95,625)
2024		(123,402)
2025		(309,436)
	$	(640,540)

Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021, 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	18 years, beginning July 1, 2021
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	$ 4,270,737	$ 2,986,290	$ 1,914,852

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

	2021	2020	2019	2018	2017	2016	2015	2014
Town's proportion of net pension liability	0.0674%	0.0714%	0.0723%	0.0707%	0.0712%	0.0684%	0.0649%	0.0624%
Town's proportionate share of the net pension liability	$ 2,986,290	$ 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	$ 1,248,428	$ 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	239.20%	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	72.22%	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

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 348,732	$ 367,299	$ 371,206	$ 356,330	$ 320,383	$ 291,317	$ 275,436	$ 253,083
Contribution in relation to the contractually required contribution	(348,732)	(367,299)	(371,206)	(356,330)	(320,383)	(291,317)	(275,436)	(253,083)
Contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Town's covered-employee payroll	$ 1,248,428	$ 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	27.93%	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 seventh year that the Town has presented the pension schedules, only eight 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, 2021

	Special Revenue Funds				
	Police Detail	Parks and Recreation Revolving	Conservation	Youth Services	Total
ASSETS					
Cash and cash equivalents	$ 32,716	$ 3,029	$ -	$ 8,411	$ 44,156
Investments	-	-	159,692	-	159,692
Accounts receivable	4,015	-	-	-	4,015
Interfund receivable	-	-	26,755	-	26,755
Total assets	$ 36,731	$ 3,029	$ 186,447	$ 8,411	$ 234,618
FUND BALANCES					
Committed	$ 36,731	$ 3,029	$ 186,447	$ 8,411	$ 234,618

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, 2021

	Special Revenue Funds				
	Police Detail	Parks and Recreation Revolving	Conservation	Youth Services	Total
REVENUES					
Taxes	$ -	$ -	$ 26,755	$ -	$ 26,755
Charges for services	57,250	-	-	-	57,250
Miscellaneous	13	-	29	9,674	9,716
Total revenues	57,263	-	26,784	9,674	93,721
EXPENDITURES					
Current:					
Public safety	40,251	-	-	6,884	47,135
Net change in fund balances	17,012	-	26,784	2,790	46,586
Fund balances, beginning	19,719	3,029	159,663	5,621	188,032
Fund balances, ending	$ 36,731	$ 3,029	$ 186,447	$ 8,411	$ 234,618

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, 2021

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	$ 5,840,441	$ 5,694,678	$ (145,763)
Land use change	-	26,755	26,755
Timber	35,500	35,322	(178)
Excavation	1,000	878	(122)
Payments in lieu of taxes	3,119	3,460	341
Interest and penalties on delinquent taxes	205,000	245,742	40,742
Total taxes	6,085,060	6,006,835	(78,225)
Licenses, permits and fees:			
Business licenses and permits	900	870	(30)
Motor vehicle permits	1,050,000	1,100,459	50,459
Building permits	45,000	51,724	6,724
Other	2,500	2,359	(141)
Total licenses, permits and fees	1,098,400	1,155,412	57,012
Intergovernmental:			
State sources:			
Meals and rooms distributions	440,114	440,114	-
Highway block grant	176,465	176,420	(45)
Water pollution grant	7,863	6,547	(1,316)
State and federal forest land	1,894	1,894	-
Federal sources:			
Sidewalk TAP grant	-	15,649	15,649
Public safety grants	-	871	871
Other government sources (Windsor, Deering)	10,000	9,045	(955)
Total intergovernmental	636,336	650,540	14,204
Charges for services:			
Income from departments	475,000	736,406	261,406
Miscellaneous:			
Sale of town owned property	4,000	27,885	23,885
Interest on investments	18,500	16,589	(1,911)
Rent of property	23,340	28,011	4,671
Fines and forfeits	-	679	679
Insurance dividends and reimbursements	-	66,389	66,389
Other	10,000	10,067	67
Total miscellaneous	55,840	149,620	93,780
Other financing sources:			
Transfers in:			
Nonmajor funds	8,000	4,152	(3,848)
Total revenues and other financing sources	8,358,636	$ 8,702,965	$ 344,329
Fund balance appropriated	520,650		
Total revenues, other financing sources and use of fund balance	$ 8,879,286		

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, 2021

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	$ -	$ 452,642	$ 427,659	$ -	$ 24,983
Election and registration	-	6,506	6,769	-	(263)
Financial administration	-	217,606	207,492	-	10,114
Revaluation of property	-	67,900	72,405	-	(4,505)
Legal	-	11,500	5,914	-	5,586
Planning and zoning	-	132,957	132,413	-	544
General government buildings	-	56,904	37,513	-	19,391
Cemeteries	-	28,475	29,128	-	(653)
Insurance, not otherwise allocated	-	141,341	147,924	-	(6,583)
Other	-	4,003	4,299	-	(296)
Total general government	-	1,119,834	1,071,516	-	48,318
Public safety:					
Police	-	2,455,667	2,405,441	-	50,226
Fire	-	791,595	760,555	-	31,040
Building inspection	-	87,728	97,632	-	(9,904)
Emergency management	-	9,900	8,312	-	1,588
Other	-	762,603	777,448	-	(14,845)
Total public safety	-	4,107,492	4,049,388	-	58,104
Highways and streets:					
Highways and streets	-	1,383,345	1,384,484	-	(1,139)
Street lighting	-	129,000	50,058	70,000	8,942
Total highways and streets	-	1,512,345	1,434,542	70,000	7,803
Sanitation:					
Solid waste disposal	-	610,731	577,061	9,500	24,170
Health:					
Pest control	-	5,315	4,029	-	1,286
Health agencies and hospitals	-	4,000	4,000	-	-
Total health	-	9,315	8,029	-	1,286
Welfare:					
Administration and direct assistance	-	179,491	135,144	-	44,347

(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, 2021

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Culture and recreation:					
Parks and recreation	-	186,048	85,068	-	100,980
Public library	-	253,857	249,899	-	3,958
Patriotic purposes	-	27,630	27,147	-	483
Other	-	16,500	11,385	-	5,115
Total culture and recreation	-	484,035	373,499	-	110,536
Conservation	-	4,542	4,594	-	(52)
Debt service:					
Principal	-	74,000	74,004	-	(4)
Interest on long-term debt	-	16,000	13,119	-	2,881
Interest on tax anticipation note	-	1,500	-	-	1,500
Total debt service	-	91,500	87,123	-	4,377
Capital outlay:					
Improvements other than buildings	67,625	250,000	246,156	151,962	(80,493)
Other financing uses:					
Transfers out:					
Expendable trust fund	-	510,000	510,000	-	-
Total encumbrances, appropriations, expenditures and other financing uses	$ 67,625	$ 8,879,286	$ 8,497,052	$ 231,462	$ 218,397

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, 2021

Unassigned fund balance, beginning		$ 2,947,343
Changes:		
Unassigned fund balance appropriated		(520,650)
Budget summary:		
Revenue surplus (Exhibit 16)	$ 344,329	
Unexpended balance of appropriations (Exhibit 17)	218,397	
Budget surplus		562,726
Increase in nonspendable fund balance		(703)
Increase in restricted fund balance		(876)
Unassigned fund balance, ending		$ 2,987,840

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, 2021, 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 first 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

As reported previously, 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)

As reported previously, 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 $317,140 as of December 31, 2021, an increase of $26,575 from 2020, and an increase of $120,521, or 61%, since 2018. This represents a potential expenditure that would

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be against a future year's operating budget. We 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 18, 2022