

TOWN OF HILLSBOROUGH, NEW HAMPSHIRE

FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2022

**TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2022**

TABLE OF CONTENTS

	<u>PAGES</u>
INDEPENDENT AUDITOR'S REPORT	1
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position (Exhibit 1)	4
Statement of Activities (Exhibit 2)	5
Fund Financial Statements:	
Balance Sheet – Governmental Funds (Exhibit 3)	6
Reconciliation of Total Fund Balances of Governmental Funds to the Statement of Net Position (Exhibit 4)	7
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit 5)	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities (Exhibit 6)	9
General Fund - Statement of Revenues, Expenditures and Changes in Unassigned Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) (Exhibit 7)	10
Water Department Fund - Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) (Exhibit 8)	11
Sewer Department Fund – Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) (Exhibit 9)	12
Statement of Fiduciary Net Position – Fiduciary Funds (Exhibit 10)	13
Statement of Changes in Fiduciary Net Position – Fiduciary Funds (Exhibit 11)	14
NOTES TO THE FINANCIAL STATEMENTS	15
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of the Town's Proportionate Share of the Net Pension Liability (Exhibit 12)	34
Schedule of the Town's Pension Contributions (Exhibit 13)	35
Note to the Required Supplementary Information	36
COMBINING NONMAJOR AND INDIVIDUAL GENERAL FUND SCHEDULES	
Nonmajor Governmental Funds	
Combining Balance Sheet (Exhibit 14)	37
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit 15)	38
Major General Fund	
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis) (Exhibit 16)	39
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis) (Exhibit 17)	40
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis) (Exhibit 18)	42
INDEPENDENT AUDITOR'S COMMUNICATION TO MANAGEMENT	43



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, 2022, 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 Opinion 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, 2022, 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, 2022, and the respective changes in financial position thereof, and the budget to actual comparison for the General Fund, 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 certain general infrastructure 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 general infrastructure assets be capitalized and depreciated, which would increase the assets and net position, and change the 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.

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, 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 Responsibility 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 for 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, 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 34 - 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to

be an essential part of financial reporting for placing the basic financial statements in an appropriate operational and economic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 and individual general fund schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

December 13, 2023

Roberts & Heene, PLLC

BASIC FINANCIAL STATEMENTS

EXHIBIT 1
TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
Statement of Net Position
December 31, 2022

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 6,603,115
Investments	4,250,118
Intergovernmental receivable	78,192
Other receivables, net of allowance for uncollectibles	7,847,623
Prepaid items	19,530
Tax deeded property held for resale	384,152
Total assets	<u>19,182,730</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pensions	<u>645,831</u>
LIABILITIES	
Accounts payable	385,291
Accrued payroll and benefits	100,969
Accrued interest payable	19,930
Intergovernmental payable	5,480,651
Performance and escrow deposits	1,760
Noncurrent obligations:	
Due within one year:	
Bonds and notes payable	274,406
Unamortized bond premium	12,446
Capital leases payable	140,434
Compensated absences payable	8,885
Accrued landfill postclosure care costs	34,130
Due in more than one year:	
Bonds and notes payable	950,976
Unamortized bond premium	12,444
Capital leases payable	185,364
Compensated absences payable	290,060
Accrued landfill postclosure care costs	988,870
Net pension liability	3,874,483
Total liabilities	<u>12,761,099</u>
DEFERRED INFLOWS OF RESOURCES	
Unearned revenue	1,087,643
Deferred amounts related to pensions	156,046
Total deferred inflows of resources	<u>1,243,689</u>
NET POSITION	
Net investment in capital assets	(1,444,485)
Restricted for:	
Endowments:	
Nonexpendable	1,556,601
Expendable	285,304
Other purposes	585,601
Unrestricted	4,840,752
Total net position	<u>\$ 5,823,773</u>

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, 2022

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 1,140,061	\$ 1,146,119	\$ 42,079	\$ -	\$ 48,137
Public safety	4,236,831	574,650	24,153	16,934	(3,621,094)
Highways and streets	1,406,916	15,538	-	270,379	(1,120,999)
Sanitation	1,557,742	1,120,750	39,510	-	(397,482)
Water distribution and treatment	380,955	739,369	-	6,239	364,653
Health	8,672	-	-	-	(8,672)
Welfare	76,729	-	-	-	(76,729)
Culture and recreation	585,500	42,935	6,877	24,105	(511,583)
Conservation	6,297	-	-	1,976	(4,321)
Interest on long-term debt	27,307	-	-	-	(27,307)
Capital outlay	1,159,444	-	-	-	(1,159,444)
Total primary government	<u>\$ 10,586,454</u>	<u>\$ 3,639,361</u>	<u>\$ 112,619</u>	<u>\$ 319,633</u>	<u>(6,514,841)</u>
General revenues:					
Property taxes					6,192,234
Other taxes					308,345
Grants and contributions not restricted to specific programs					522,876
Miscellaneous					114,258
Total general revenues					<u>7,137,713</u>
Change in net position					622,872
Net position, beginning					5,200,901
Net position, ending					<u>\$ 5,823,773</u>

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, 2022

	General	Water Department	Sewer Department	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 3,775,354	\$ 1,121,129	\$ 1,487,101	\$ 219,531	\$ 6,603,115
Investments	591,030	860,259	916,621	1,882,208	4,250,118
Receivables, net of allowance for uncollectibles:					
Taxes	7,158,793	-	-	-	7,158,793
Accounts	119,135	194,207	243,903	-	557,245
Intergovernmental	78,192	-	-	-	78,192
Interfund receivable	35,303	-	-	22,061	57,364
Prepaid items	67,381	-	-	-	67,381
Tax deeded property held for resale	384,152	-	-	-	384,152
Total assets	<u>\$ 12,209,340</u>	<u>\$ 2,175,595</u>	<u>\$ 2,647,625</u>	<u>\$ 2,123,800</u>	<u>\$ 19,156,360</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 382,540	\$ 1,057	\$ 1,694	\$ -	\$ 385,291
Accrued salaries and benefits	94,116	3,633	3,220	-	100,969
Intergovernmental payable	5,480,651	-	-	-	5,480,651
Interfund payable	22,061	8,190	6,101	21,012	57,364
Escrow and performance deposits	1,760	-	-	-	1,760
Total liabilities	<u>5,981,128</u>	<u>12,880</u>	<u>11,015</u>	<u>21,012</u>	<u>6,026,035</u>
Deferred inflows of resources:					
Deferred revenue	<u>3,238,429</u>	<u>1,754</u>	<u>2,500</u>	<u>-</u>	<u>3,242,683</u>
Fund balances:					
Nonspendable	451,533	-	-	1,556,601	2,008,134
Restricted	585,601	-	-	285,304	870,905
Committed	1,356,632	2,160,961	2,634,110	260,883	6,412,586
Assigned	59,576	-	-	-	59,576
Unassigned	536,441	-	-	-	536,441
Total fund balances	<u>2,989,783</u>	<u>2,160,961</u>	<u>2,634,110</u>	<u>2,102,788</u>	<u>9,887,642</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,209,340</u>	<u>\$ 2,175,595</u>	<u>\$ 2,647,625</u>	<u>\$ 2,123,800</u>	<u>\$ 19,156,360</u>

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, 2022

Total fund balances of governmental funds (Exhibit 3)		\$	9,887,642
Amounts reported for governmental activities in the statement of net position are different because:			
Payments on long-term debt not due until the subsequent period are recorded as prepaid in the governmental funds, but reduce the related liability of governmental activities.			
Prepaid principal and interest			(47,851)
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.			
Receivables	\$	(57,364)	
Payables		<u>57,364</u>	
			-
Revenues that are not available to pay for current period expenditures are deferred in the funds.			
Unavailable tax revenue	\$	2,099,063	
Unavailable ambulance revenue		<u>55,977</u>	
			2,155,040
Interest on long-term debt is not accrued in governmental funds.			
Accrued interest payable			(19,930)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
Bonds and notes outstanding	\$	1,225,382	
Unamortized loan forgiveness		(131,585)	
Unamortized bond premium		24,890	
Capital leases outstanding		325,798	
Compensated absences payable		298,945	
Accrued landfill postclosure care costs		1,023,000	
Net pension liability		<u>3,874,483</u>	
			(6,640,913)
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	\$	645,831	
Deferred inflows of resources related to pensions		<u>(156,046)</u>	
			489,785
Total net position of governmental activities (Exhibit 1)		\$	<u><u>5,823,773</u></u>

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, 2022

	General	Water Department	Sewer Department	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 6,183,848	\$ -	\$ -	\$ 25,000	\$ 6,208,848
Licenses, permits and fees	1,139,653	-	-	-	1,139,653
Intergovernmental	969,640	-	-	-	969,640
Charges for services	828,695	739,369	851,156	60,699	2,479,919
Miscellaneous	159,499	23,898	43,852	(127,503)	99,746
Total revenues	<u>9,281,335</u>	<u>763,267</u>	<u>895,008</u>	<u>(41,804)</u>	<u>10,897,806</u>
Expenditures:					
Current:					
General government	1,143,035	-	-	1,300	1,144,335
Public safety	4,272,139	-	-	100,639	4,372,778
Highways and streets	1,457,617	-	-	-	1,457,617
Sanitation	604,704	-	537,569	-	1,142,273
Water distribution and treatment	-	382,520	-	-	382,520
Health	8,672	-	-	-	8,672
Welfare	76,831	-	-	-	76,831
Culture and recreation	570,007	-	-	15,493	585,500
Conservation	5,113	-	-	1,184	6,297
Debt service:					
Principal	74,617	180,019	53,333	-	307,969
Interest	9,032	35,211	4,138	-	48,381
Capital outlay	1,145,519	13,925	-	-	1,159,444
Total expenditures	<u>9,367,286</u>	<u>611,675</u>	<u>595,040</u>	<u>118,616</u>	<u>10,692,617</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(85,951)</u>	<u>151,592</u>	<u>299,968</u>	<u>(160,420)</u>	<u>205,189</u>
Other financing sources (uses):					
Transfers in	16,147	-	-	-	16,147
Transfers out	-	-	-	(16,147)	(16,147)
Total other financing sources and uses	<u>16,147</u>	<u>-</u>	<u>-</u>	<u>(16,147)</u>	<u>-</u>
Net change in fund balances	(69,804)	151,592	299,968	(176,567)	205,189
Fund balances, beginning, as restated, see Note III.D.	3,059,587	2,009,369	2,334,142	2,279,355	9,682,453
Fund balances, ending	<u>\$ 2,989,783</u>	<u>\$ 2,160,961</u>	<u>\$ 2,634,110</u>	<u>\$ 2,102,788</u>	<u>\$ 9,887,642</u>

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, 2022

Net change in fund balances of governmental funds (Exhibit 5)		\$ 205,189
Amounts reported for governmental activities in the statement of activities are different because:		
Payments on long-term debt not due until the subsequent period are recorded as prepaid in the governmental funds.		
Change in prepaid principal and interest		3,223
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$ (16,147)	
Transfers out	16,147	
		-
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	\$ 291,731	
Change in unavailable ambulance revenue	19,789	
Change in long-term receivable for loan forgiveness	(10,966)	
		300,554
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	\$ 319,925	
Amortization of bond premium	12,446	
Repayment of capital lease principal	135,895	
		468,266
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	\$ 4,415	
Decrease in compensated absences payable	18,195	
Increase in accrued landfill postclosure care costs	(415,830)	
		(393,220)
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	\$ 389,118	
Cost of benefits earned, net of employee contributions	(350,258)	
		38,860
Change in net position of governmental activities (Exhibit 2)		\$ 622,872

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, 2022

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 6,148,035	\$ 6,475,579	\$ 327,544
Licenses, permits and fees	1,148,280	1,139,653	(8,627)
Intergovernmental	1,515,487	911,351	(604,136)
Charges for services	700,000	828,695	128,695
Miscellaneous	85,755	98,155	12,400
Total revenues	9,597,557	9,453,433	(144,124)
EXPENDITURES			
Current:			
General government	1,129,504	1,143,035	(13,531)
Public safety	4,365,496	4,353,886	11,610
Highways and streets	1,439,901	1,417,055	22,846
Sanitation	667,038	595,204	71,834
Water distribution and treatment	-	-	-
Health	9,814	8,672	1,142
Welfare	118,372	76,831	41,541
Culture and recreation	494,383	474,810	19,573
Conservation	5,112	5,113	(1)
Debt service:			
Principal	74,005	74,617	(612)
Interest on long-term debt	10,800	9,032	1,768
Interest on tax anticipation note	1,500	-	1,500
Capital outlay	1,317,375	803,494	513,881
Total expenditures	9,633,301	8,961,749	671,552
Excess (deficiency) of revenues over (under) expenditures	(35,744)	491,684	527,428
Other financing sources (uses):			
Transfers in	4,000	9,329	5,329
Transfers out	(600,000)	(600,000)	-
Total other financing sources and uses	(596,000)	(590,671)	5,329
Net change in fund balance	\$ (631,744)	(98,987)	\$ 532,757
Increase in nonspendable fund balance		(262,345)	
Decrease in restricted fund balance		8,996	
Unassigned fund balance, beginning		2,987,840	
Unassigned fund balance, ending		\$ 2,635,504	

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, 2022

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	\$ 754,630	\$ 739,369	\$ (15,261)
Miscellaneous	-	14,764	14,764
Total revenues	<u>754,630</u>	<u>754,133</u>	<u>(497)</u>
EXPENDITURES			
Current:			
Water distribution and treatment	431,780	382,520	49,260
Debt service:			
Principal	185,250	180,019	5,231
Interest	37,600	35,211	2,389
Capital outlay	-	13,925	(13,925)
Total expenditures	<u>654,630</u>	<u>611,675</u>	<u>42,955</u>
Excess of revenues over expenditures	100,000	142,458	42,458
Other financing uses:			
Transfers in	-	13,925	13,925
Transfers out	(100,000)	(127,513)	(27,513)
Total other financing sources and uses	<u>(100,000)</u>	<u>(113,588)</u>	<u>(13,588)</u>
Net change in fund balance	<u>\$ -</u>	<u>28,870</u>	<u>\$ 28,870</u>
Fund balance, beginning		<u>1,133,295</u>	
Fund balance, ending		<u>\$ 1,162,165</u>	

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, 2022

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	\$ 894,804	\$ 851,156	\$ (43,648)
Miscellaneous	-	32,565	32,565
Total revenues	<u>894,804</u>	<u>883,721</u>	<u>(11,083)</u>
EXPENDITURES			
Current:			
Sanitation	672,270	537,569	134,701
Debt service:			
Principal	53,334	53,333	1
Interest	4,200	4,138	62
Total expenditures	<u>729,804</u>	<u>595,040</u>	<u>134,764</u>
Excess of revenues over expenditures	165,000	288,681	123,681
Other financing uses:			
Transfers out	<u>(165,000)</u>	<u>(218,320)</u>	<u>(53,320)</u>
Net change in fund balance	<u>\$ -</u>	<u>70,361</u>	<u>\$ 70,361</u>
Fund balance, beginning		1,267,532	
Fund balance, ending		<u><u>\$ 1,337,893</u></u>	

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, 2022

	Private Purpose Trust	Custodial
Assets:		
Cash and cash equivalents	\$ 33,271	\$ 1,820,269
Investments	289,449	573,853
Total assets	<u>322,720</u>	<u>2,394,122</u>
Liabilities	<u>-</u>	<u>-</u>
Net position:		
Held in trust for specific purposes	322,720	-
Held on behalf of school and village districts	-	2,394,122
Total net position	<u>\$ 322,720</u>	<u>\$ 2,394,122</u>

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, 2022

	Private Purpose Trust	Custodial
Additions:		
Receipts from Emerald Lake Village District	\$ -	\$ 157,500
Receipts from Hillsboro-Deering Cooperative School District	-	330,000
Investment earnings:		
Interest and dividends	10,897	43,941
Net change in fair value of investments	<u>(39,457)</u>	<u>(63,814)</u>
Total additions	<u>(28,560)</u>	<u>467,627</u>
Deductions:		
Trust distributions	10,480	-
Distributions to Emerald Lake Village District	-	101,175
Distributions to Hillsboro-Deering Cooperative School District	<u>-</u>	<u>226,000</u>
Total deductions	<u>10,480</u>	<u>327,175</u>
Change in net position	(39,040)	140,452
Net position, beginning	<u>361,760</u>	<u>2,253,670</u>
Net position, ending	<u><u>\$ 322,720</u></u>	<u><u>\$ 2,394,122</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2022

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, 2022.

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.

TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2022

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.

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.

**TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2022**

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.

The Town also reports five nonmajor governmental funds.

Fiduciary Funds

The Town reports the following fiduciary funds:

Private Purpose Trust Fund – Accounts 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.

TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2022

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.

TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2022

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 fund; 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 the permanent fund, 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.

TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2022

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 2022, none of the General Fund's unassigned fund balance from 2021 was so used, while \$631,744 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 and assignments of fund balances and do not constitute expenditures or liabilities because they will be added to the appropriations voted in the subsequent year.

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

II.B. Reconciliation of Budgetary Basis to GAAP

General Fund

Revenues and other financing sources:	
Per Exhibit 7 (budgetary basis)	\$ 9,462,762
Adjustments:	
Basis difference:	
Tax revenue deferred in the prior year	1,807,332
Tax revenue deferred in the current year	(2,099,063)
Perspective difference:	
Revenue of Library Fund	46,452
Revenue of Project Lift Fund	61,361
Revenue of Expendable Trust Fund	11,820
Transfer to Library from Permanent Fund	6,818
Per Exhibit 5 (GAAP basis)	<u>\$ 9,297,482</u>

TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2022

Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	\$ 9,561,749
Adjustments:	
Basis difference:	
Encumbrances, beginning	231,462
Encumbrances, ending	(339,865)
Perspective difference:	
Expenditures of Library Fund	26,016
Expenditures of Project Lift Fund	69,181
Expenditures of Expendable Trust Fund	418,743
Transfers to Expendable Trust Fund	(600,000)
Per Exhibit 5 (GAAP basis)	<u>\$ 9,367,286</u>
Unassigned fund balance:	
Per Exhibit 7 (budgetary basis)	\$ 2,635,504
Adjustment:	
Basis difference:	
Deferred tax revenue, GAAP basis	(2,099,063)
Per Exhibit 3 (GAAP basis)	<u>\$ 536,441</u>

Water Department Fund

Revenues:	
Per Exhibit 8 (budgetary basis)	\$ 768,058
Adjustments:	
Perspective difference:	
Revenue of Expendable Trust Fund	9,134
Transfers from Expendable Trust Fund	(13,925)
Per Exhibit 5 (GAAP basis)	<u>\$ 763,267</u>
Expenditures and other financing uses:	
Per Exhibit 8 (budgetary basis)	\$ 739,188
Adjustment:	
Perspective difference:	
Transfers to Expendable Trust Fund	(127,513)
Per Exhibit 5 (GAAP basis)	<u>\$ 611,675</u>
Committed fund balance:	
Per Exhibit 8 (budgetary basis)	\$ 1,162,165
Adjustment:	
Perspective difference:	
Equity of expendable trust fund reported in Water Department Fund	998,796
Per Exhibit 3 (GAAP basis)	<u>\$ 2,160,961</u>

TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2022

Sewer Department Fund

Revenues:	
Per Exhibit 9 (budgetary basis)	\$ 883,721
Adjustment:	
Perspective difference:	
Revenue of Expendable Trust Fund	11,287
Per Exhibit 5 (GAAP basis)	<u>\$ 895,008</u>
Expenditures and other financing uses:	
Per Exhibit 9 (budgetary basis)	\$ 813,360
Adjustment:	
Perspective difference:	
Transfers to Expendable Trust Fund	(218,320)
Per Exhibit 5 (GAAP basis)	<u>\$ 595,040</u>
Committed fund balance:	
Per Exhibit 9 (budgetary basis)	\$ 1,337,893
Adjustment:	
Perspective difference:	
Equity of expendable trust fund reported in Sewer Department Fund	1,296,217
Per Exhibit 3 (GAAP basis)	<u>\$ 2,634,110</u>

III. Detailed Notes on Funds and Government-Wide Statements

III.A. Assets

III.A.1. Investments

As of December 31, 2022, the Town's reporting entity had the following investments:

Fixed Income Funds	\$ 866,499
Mutual Funds	1,596,682
Corporate Bonds	92,878
New Hampshire Public Deposit Investment Pool (PDIP)	2,557,361
	<u>\$ 5,113,420</u>

The investments appear in the financial statements as follow:

Fund reporting level:	
Governmental funds - balance sheet (Exhibit 3)	\$ 4,250,118
Fiduciary funds - statement of fiduciary net position (Exhibit 10)	863,302
Total	<u>\$ 5,113,420</u>

TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2022

Fair Value Measurement

The Town categorizes its 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, 2022:

<u>Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Corporate bonds	\$ 92,878	\$ -	\$ 92,878
Mutual funds	1,596,682	-	1,596,682
Fixed income	866,499	-	866,499
PDIP	-	2,557,361	2,557,361
	<u>\$ 2,556,059</u>	<u>\$ 2,557,361</u>	<u>\$ 5,113,420</u>

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, 2022 is as follows:

	<u>Fair Value</u>
Baa2	\$ 51,360
B2	41,518
Not rated	2,463,181
Exempt from disclosure	2,557,361
	<u>\$ 5,113,420</u>

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:

	<u>Fair Value</u>	<u>Investment maturities (in years)</u>
Corporate bonds	\$ 92,872	1 to 5

TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2022

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 \$5,113,420 of investments, \$2,556,059 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 any not received by the due date. The first billing is an estimate only based on half of the previous year's billing. The final billing is levied based on an inventory taken in April of each year (the tax year runs from April 1 to March 31), and is assessed after the tax rate has been calculated and set by the New Hampshire Department of Revenue Administration. A lien is executed on any unpaid property taxes in the following year and this lien takes priority over any others. Interest of 18% per annum is charged upon redemption of lien 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 2021 property taxes on June 24th.

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, 2022, upon which the 2022 property tax levy was based was:

For the New Hampshire education tax	\$ 561,935,882
For all other taxes	\$ 599,565,797

TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2022

The tax rates and amounts assessed for the year ended December 31, 2022 were as follow:

	Per \$1,000 of Assessed Valuation	
Municipal portion	\$10.34	\$ 6,199,034
School portion:		
State of New Hampshire	\$1.26	707,885
Local	\$13.94	8,359,239
County portion	\$1.15	688,966
Precinct portion:		
Emerald Lake Village	\$3.17	295,632
Total property taxes assessed		<u>\$ 16,250,756</u>

The following details the taxes receivable at year-end:

Property:	
Levy of 2022	\$ 6,036,697
Unredeemed (under tax lien):	
Levy of 2021	463,409
Levy of 2020	268,421
Levy of 2019	192,267
Levy of 2018	140,485
Levies of 2017 and prior	242,254
Land use change	12,000
Yield	312
Water liens	35,895
Sewer liens	42,053
Less: allowance for estimated uncollectible taxes	(275,000)
Net taxes receivable	<u>\$ 7,158,793</u>

Other Receivables

Other 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 2022 charges and 100% of previous charges. Related amounts are shown as follow:

Accounts	\$ 820,320
Intergovernmental	78,192
Liens	26,148
Less: allowance for uncollectible amounts	(289,223)
Net total receivables	<u>\$ 635,437</u>

TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2022

Deferred Revenue

Deferred revenue of \$3,242,683 at December 31, 2022 represents \$2,099,063 of property taxes and liens and \$55,977 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; \$1,082,594 of federal grants not recognized until expended, \$1,754 of prepaid water user fees and \$2,500 of prepaid sewer user fees, and \$795 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, 2022 consists of \$5,080,949 due to the Hillsboro-Deering Cooperative School District for the balance of the 2022-2023 district assessment and \$399,702 due to the Emerald Lake Village District for the balance of the 2022 district assessment and its 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 12/31/2022	Current Portion
General obligation bonds/notes payable:						
Water mains	\$ 1,792,000	2004	2024	2.5-4.125	\$ 170,000	\$ 86,000
Fire station	\$ 282,000	2004	2024	2.5-4.125	27,000	14,000
Library	\$ 400,000	2010	2026	3.3	111,596	30,593
Water filtration (refunded)	\$ 1,124,000	2012	2024	2.0-5.0	140,000	46,000
Bible Hill	\$ 214,258	2012	2031	1.1	58,476	5,732
Screw pump	\$ 800,000	2013	2027	2.75	110,586	53,334
Water filtration	\$ 833,389	2015	2035	2.616	607,724	38,747
					<u>1,225,382</u>	<u>274,406</u>
Unamortized bond premium					<u>24,890</u>	<u>12,446</u>
Capital leases payable:						
Fire apparatus	\$ 850,000	2016	2025	3.05	273,952	88,588
Loader	\$ 250,000	2019	2023	3.84	51,846	51,846
					<u>325,798</u>	<u>140,434</u>
Compensated absences payable:						
Vested earned leave					16,723	-
Accrued vacation leave					<u>282,222</u>	<u>8,885</u>
					<u>298,945</u>	<u>8,885</u>
Accrued landfill postclosure care costs					<u>1,023,000</u>	<u>34,130</u>
Net pension liability					<u>3,874,483</u>	<u>-</u>
					<u>\$ 6,772,498</u>	<u>\$ 470,301</u>

TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2022

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, 2022, the Town reported a reduction of bonds and notes payable of \$10,966, with a remaining unamortized loan forgiveness balance of \$131,585.

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, 2022:

	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	\$ 1,545,307	\$ 37,336	\$ 461,693	\$ 317,140	\$ 607,170	\$ 2,986,290	\$ 5,954,936
Additions	-	-	-	-	415,830	888,193	1,304,023
Reductions	(319,925)	(12,446)	(135,895)	(18,195)	-	-	(486,461)
Balance, ending	<u>\$ 1,225,382</u>	<u>\$ 24,890</u>	<u>\$ 325,798</u>	<u>\$ 298,945</u>	<u>\$ 1,023,000</u>	<u>\$ 3,874,483</u>	<u>\$ 6,772,498</u>

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
2023	\$ 274,406	\$ 40,127	\$ 314,533
2024	321,945	26,509	348,454
2025	84,156	16,709	100,865
2026	65,912	14,293	80,205
2027	50,821	12,697	63,518
2028-2032	272,632	42,155	314,787
2033-2035	155,510	13,370	168,880
Totals	<u>\$ 1,225,382</u>	<u>\$ 165,860</u>	<u>\$ 1,391,242</u>

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

Year Ending December 31,	Principal	Interest	Total
2023	\$ 140,434	\$ 10,347	\$ 150,781
2024	91,290	5,654	96,944
2025	94,074	2,870	96,944
Totals	<u>\$ 325,798</u>	<u>\$ 18,871</u>	<u>\$ 344,669</u>

TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2022

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 \$1,023,000 as of December 31, 2022. 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, 2022. 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:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water Department	\$ 8,190
General	Sewer Department	6,101
General	Nonmajor	21,012
Nonmajor	General	22,061
		<u>\$ 57,364</u>

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 nonmajor funds represents interest earned on trust funds. The amount due to the nonmajor funds 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.

TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2022

There was \$16,147 transferred to the general fund from the nonmajor funds representing income earned for general government purposes, transfer of overexpended balance of appropriations, and the closing of the Parks & Recreation Fund.

III.D. Restatement of Beginning Equity

Beginning equity balances at January 1, 2022 were restated as follow:

	Permanent Fund	Nonmajor Funds
To report as a nonmajor fund	\$ (2,044,737)	\$ 2,044,737
Fund balance, as previously reported	2,044,737	234,618
Fund balance, as restated	<u>\$ -</u>	<u>\$ 2,279,355</u>

III.E. Components of Fund Balance

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

	General Fund	Water Department Funds	Sewer Department Funds	Nonmajor Funds
Nonspendable:				
Endowments	\$ -	\$ -	\$ -	\$ 1,556,601
Prepaid items	67,381	-	-	-
Tax deeded property	384,152	-	-	-
Total nonspendable	<u>451,533</u>	<u>-</u>	<u>-</u>	<u>1,556,601</u>
Restricted:				
General government	-	-	-	285,304
Public safety	1,218	-	-	-
Culture and recreation	584,383	-	-	-
Total restricted	<u>585,601</u>	<u>-</u>	<u>-</u>	<u>285,304</u>
Committed:				
Public safety	22,171	-	-	38,849
Highways and streets	258,118	-	-	-
Sanitation	-	-	2,634,110	-
Water distribution and treatment	-	2,160,961	-	-
Culture and recreation	-	-	-	10,522
Conservation	-	-	-	211,512
Capital outlay	1,076,343	-	-	-
Total committed	<u>1,356,632</u>	<u>2,160,961</u>	<u>2,634,110</u>	<u>260,883</u>
Assigned for public safety	59,576	-	-	-
Unassigned	536,441	-	-	-
Total fund balance	<u>\$ 2,989,783</u>	<u>\$ 2,160,961</u>	<u>\$ 2,634,110</u>	<u>\$ 2,102,788</u>

TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2022

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 2022 to be recorded as an insurance expenditure/expense totaled \$63,812 for property/liability, and \$37,366 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 33.88% for police and 32.99% for fire employees. The rates are actuarially determined to generate an amount, that when combined with employee contributions, is expected to

TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2022

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 2020, 2021, and 2022 were \$367,299, \$348,732, and \$389,118, 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, 2022, the Town reported a liability of \$3,874,483 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, 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, 2022, the Town's proportion was 0.0675%, which was an increase of 0.0001% from its proportion reported as of December 31, 2021.

For 2022, the Town recognized pension expense of \$350,258. 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	\$ 18,891	\$ 141,173
Net differences between projected and actual earnings on pension plan investments	146,838	-
Changes in assumptions	206,092	-
Differences between expected and actual experience	72,717	14,873
Town contributions subsequent to the measurement date	201,293	-
	<u>\$ 645,831</u>	<u>\$ 156,046</u>

The Town reported \$201,293 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.

TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2022

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,	
2023	\$ 108,988
2024	81,172
2025	(105,348)
2026	203,680
	<u>\$ 288,492</u>

Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022, 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	Multiple periods of 18-20 years
Asset Valuation method	5-year smoothed market for funding purposes, 20% corridor
Price Inflation	2.0% per year
Wage Inflation	2.75% per year
Salary Increases	5.4% average, including inflation
Municipal Bond Rate	3.69% per year
Investment Rate of Return	6.75% 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	Pub-2010 Healthy Retiree Mortality Tables with credibility adjustments for each member classification (Police and Fire combined) and projected fully generational mortality improvements using Scale MP-2019.

TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2022

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	\$ 5,198,579	\$ 3,874,483	\$ 2,773,619

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Town's proportion of net pension liability	0.0675%	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	\$ 3,874,483	\$ 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	\$ 1,271,526	\$ 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	304.71%	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	65.12%	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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 389,118	\$ 348,732	\$ 367,299	\$ 371,206	\$ 356,330	\$ 320,383	\$ 291,317	\$ 275,436	\$ 253,083
Contribution in relation to the contractually required contribution	(389,118)	(348,732)	(367,299)	(371,206)	(356,330)	(320,383)	(291,317)	(275,436)	(253,083)
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 1,271,526	\$ 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	30.60%	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, 2022**

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 eighth year that the Town has presented the pension schedules, only nine 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, 2022

	Special Revenue Funds			Permanent Fund	Total
	Police Detail	Conservation	Youth Services		
ASSETS					
Cash and cash equivalents	\$ 38,849	\$ -	\$ 10,522	\$ 170,160	\$ 219,531
Investments	-	189,451	-	1,692,757	1,882,208
Interfund receivable	-	22,061	-	-	22,061
Total assets	<u>\$ 38,849</u>	<u>\$ 211,512</u>	<u>\$ 10,522</u>	<u>\$ 1,862,917</u>	<u>\$ 2,123,800</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,012</u>	<u>\$ 21,012</u>
Fund balances:					
Nonspendable	-	-	-	1,556,601	1,556,601
Restricted	-	-	-	285,304	285,304
Committed	<u>38,849</u>	<u>211,512</u>	<u>10,522</u>	<u>-</u>	<u>260,883</u>
Total fund balances	<u>38,849</u>	<u>211,512</u>	<u>10,522</u>	<u>1,841,905</u>	<u>2,102,788</u>
Total liabilities and fund balances	<u>\$ 38,849</u>	<u>\$ 211,512</u>	<u>\$ 10,522</u>	<u>\$ 1,862,917</u>	<u>\$ 2,123,800</u>

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, 2022

	Special Revenue Funds					
	Police Detail	Parks and Recreation Revolving	Conservation	Youth Services	Permanent Fund	Total
REVENUES						
Taxes	\$ -	\$ -	\$ 25,000	\$ -	\$ -	\$ 25,000
Charges for services	60,699	-	-	-	-	60,699
Miscellaneous	19	-	3,005	7,955	(138,482)	(127,503)
Total revenues	60,718	-	28,005	7,955	(138,482)	(41,804)
EXPENDITURES						
Current:						
Public safety	58,601	-	-	-	42,038	100,639
Culture and recreation	-	-	-	5,844	9,649	15,493
Conservation	-	-	1,184	-	-	1,184
Total expenditures	58,601	-	1,184	5,844	52,987	118,616
Excess (deficiency) of revenues over (under) expenditures	2,117	-	26,821	2,111	(191,469)	(160,420)
Other financing uses:						
Transfers out	-	(3,029)	(1,755)	-	(11,363)	(16,147)
Net change in fund balances	2,117	(3,029)	25,066	2,111	(202,832)	(176,567)
Fund balances, beginning, as restated, see Note III.D.	36,732	3,029	186,446	8,411	2,044,737	2,279,355
Fund balances, ending	\$ 38,849	\$ -	\$ 211,512	\$ 10,522	\$ 1,841,905	\$ 2,102,788

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, 2022

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 5,899,166	\$ 6,192,234	\$ 293,068
Land use change	25,000	40,400	15,400
Timber	10,000	8,902	(1,098)
Excavation	750	777	27
Payments in lieu of taxes	3,119	1,552	(1,567)
Interest and penalties on delinquent taxes	210,000	231,714	21,714
Total taxes	6,148,035	6,475,579	327,544
Licenses, permits and fees:			
Business licenses and permits	780	1,140	360
Motor vehicle permits	1,100,000	1,083,341	(16,659)
Building permits	45,000	52,867	7,867
Other	2,500	2,305	(195)
Total licenses, permits and fees	1,148,280	1,139,653	(8,627)
Intergovernmental:			
State sources:			
Retirement contribution	29,332	29,332	-
Meals and rooms distributions	522,876	522,876	-
Highway block grant	179,683	178,986	(697)
Water pollution grant	18,715	6,239	(12,476)
State and federal forest land	1,976	1,976	-
NHEYP	112,500	24,105	(88,395)
Federal sources:			
Sidewalk TAP grant	610,905	91,393	(519,512)
ARPA	-	16,934	16,934
Other government sources (Windsor, Deering)	39,500	39,510	10
Total intergovernmental	1,515,487	911,351	(604,136)
Charges for services:			
Income from departments	700,000	828,695	128,695
Miscellaneous:			
Sale of property	2,600	4,985	2,385
Interest on investments	18,000	16,154	(1,846)
Rent of property	50,000	49,569	(431)
Fines and forfeits	-	515	515
Insurance dividends and reimbursements	5,155	8,856	3,701
Other	10,000	18,076	8,076
Total miscellaneous	85,755	98,155	12,400
Other financing sources:			
Transfers in:			
Nonmajor funds	4,000	9,329	5,329
Total revenues and other financing sources	9,601,557	\$ 9,462,762	\$ (138,795)
Fund balance appropriated	631,744		
Total revenues, other financing sources and use of fund balance	\$ 10,233,301		

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, 2022

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 465,645	\$ 465,011	\$ -	\$ 634
Election and registration	-	9,811	11,696	-	(1,885)
Financial administration	-	224,527	216,951	-	7,576
Revaluation of property	-	73,500	63,383	-	10,117
Legal	-	8,500	7,130	-	1,370
Planning and zoning	-	142,716	144,250	-	(1,534)
General government buildings	-	54,126	86,599	-	(32,474)
Cemeteries	-	29,075	28,394	-	681
Insurance, not otherwise allocated	-	117,501	115,121	-	2,380
Other	-	4,103	4,500	-	(397)
Total general government	-	1,129,504	1,143,035	-	(13,531)
Public safety:					
Police	-	2,599,420	2,530,894	81,747	(13,221)
Fire	-	799,340	778,220	-	21,120
Building inspection	-	88,944	90,402	-	(1,458)
Emergency management	-	9,900	8,089	-	1,811
Other	-	867,893	864,534	-	3,359
Total public safety	-	4,365,496	4,272,139	81,747	11,610
Highways and streets:					
Highways and streets	-	1,380,901	1,354,068	29,438	(2,605)
Street lighting	70,000	59,000	103,549	-	25,451
Total highways and streets	70,000	1,439,901	1,457,617	29,438	22,846
Sanitation:					
Solid waste disposal	9,500	667,038	604,704	-	71,834
Health:					
Pest control	-	5,814	4,672	-	1,142
Health agencies and hospitals	-	4,000	4,000	-	-
Total health	-	9,814	8,672	-	1,142
Welfare:					
Administration and direct assistance	-	118,372	76,831	-	41,541

(continued)

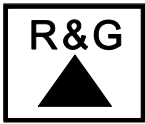
EXHIBIT 17 (continued)
TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
General Fund

Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For The Year Ended December 31, 2022

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Culture and recreation:					
Parks and recreation	-	193,655	176,292	-	17,363
Public library	-	265,598	265,350	-	248
Patriotic purposes	-	17,630	16,948	-	682
Other	-	17,500	16,220	-	1,280
Total culture and recreation	-	494,383	474,810	-	19,573
Conservation	-	5,112	5,113	-	(1)
Debt service:					
Principal	-	74,005	74,617	-	(612)
Interest on long-term debt	-	10,800	9,032	-	1,768
Interest on tax anticipation note	-	1,500	-	-	1,500
Total debt service	-	86,305	83,649	-	2,656
Capital outlay:					
Machinery, vehicles and equipment	-	31,744	9,573	-	22,171
Improvements other than buildings	151,962	1,285,631	717,203	228,680	491,710
Total capital outlay	151,962	1,317,375	726,776	228,680	513,881
Other financing uses:					
Transfers out:					
Expendable trust fund	-	600,000	600,000	-	-
Total encumbrances, appropriations, expenditures and other financing uses	\$ 231,462	\$ 10,233,301	\$ 9,453,346	\$ 339,865	\$ 671,552

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, 2022

Unassigned fund balance, beginning		\$	2,987,840
Changes:			
Unassigned fund balance appropriated			(631,744)
Budget summary:			
Revenue shortfall (Exhibit 16)	\$	(138,795)	
Unexpended balance of appropriations (Exhibit 17)		<u>671,552</u>	
Budget surplus			532,757
Increase in nonspendable fund balance			(262,345)
Decrease in restricted fund balance			<u>8,996</u>
Unassigned fund balance, ending		\$	<u><u>2,635,504</u></u>



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, 2022, 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 Assets and Capital Asset Policy – Repeat Finding

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

Other Postemployment Benefits (OPEB) – Repeat Finding

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

We also want to discuss the following other matter:

Compensated Absences Payable

The Town has a compensated absences payable of \$298,945 as of December 31, 2022, a decrease of \$18,195 from 2021, and an increase of \$120,521, or 61%, since 2018. This represents a potential expenditure that would be against future years' operating budgets. We recommend that the Town consider the costs and benefits of

TOWN OF HILLSBOROUGH

Independent Auditor's Communication to Management

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.

December 13, 2023

Roberts & Heene, PLLC