TOWN OF HILLSBOROUGH, NEW HAMPSHIRE

FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2023

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FINANCIAL REPORT
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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, 2023, 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 matters 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, 2023, 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, 2023, and the respective changes in financial position thereof, and the budget to actual comparisons 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 our 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 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 capital assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

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

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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 – 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting 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.

January 14, 2025

Roberts & Greene, PLLC

BASIC FINANCIAL STATEMENTS

EXHIBIT 1
TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
Statement of Net Position
December 31, 2023

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 12,411,356
Investments	4,195,138
Intergovernmental receivable	49,365
Other receivables, net of allowance for uncollectibles	2,972,233
Prepaid items	26,113
Tax deeded property held for resale	384,152
Total assets	20,038,357
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pensions	461,499
LIABILITIES	
Accounts payable	225,480
Accrued payroll and benefits	110,815
Accrued interest payable	23,625
Intergovernmental payable	5,829,754
Performance and escrow deposits	1,287
Miscellaneous current liabilities	90
Noncurrent obligations:	
Due within one year:	
Bonds and notes payable	227,945
Unamortized bond premium	12,444
Capital leases payable	139,791
Compensated absences payable	1,224
Accrued landfill postclosure care costs	34,000
Due in more than one year:	
Bonds and notes payable	629,031
Capital leases payable	255,677
Compensated absences payable	295,772
Accrued landfill postclosure care costs	986,000
Net pension liability	3,672,097
Total liabilities	12,445,032
DEFERRED INFLOWS OF RESOURCES	
Unearned revenue	1,717,582
Deferred amounts related to pensions	169,659
Total deferred inflows of resources	1,887,241
NET POSITION	
Net investment in capital assets	(1,144,269)
Restricted for:	
Endowments:	
Nonexpendable	1,644,254
Expendable	392,947
Other purposes	631,168
Unrestricted	4,643,483
Total net position	$ 6,167,583

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, 2023

		Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental activities:					
General government	$ 1,342,071	$ 1,170,021	$ 192,803	$ 111,593	$ 132,346
Public safety	4,560,615	653,316	21,653	-	(3,885,646)
Highways and streets	1,362,540	-	-	394,043	(968,497)
Sanitation	1,373,144	1,389,053	-	-	15,909
Water distribution and treatment	519,318	710,691	-	29,667	221,040
Health	9,648	-	-	-	(9,648)
Welfare	119,361	-	-	-	(119,361)
Culture and recreation	590,639	42,511	7,453	98,563	(442,112)
Conservation	9,387	8,005	1,480	-	98
Interest on long-term debt	24,237	-	-	-	(24,237)
Capital outlay	2,267,728	-	-	485,653	(1,782,075)
Total primary government	$ 12,178,688	$ 3,973,597	$ 223,389	$ 1,119,519	(6,862,183)

General revenues:	
Property taxes	5,953,814
Other taxes	252,313
Grants and contributions not restricted to specific programs	559,196
Miscellaneous	440,670
Total general revenues	7,205,993
Change in net position	343,810
Net position, beginning	5,823,773
Net position, ending	$ 6,167,583

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, 2023

	General	Water Department	Sewer Department	Permanent	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 9,029,242	$ 1,049,011	$ 1,761,761	$ 543,251	$ 28,091	$ 12,411,356
Investments	629,769	812,811	1,008,177	1,522,472	221,909	4,195,138
Receivables, net of allowance						
for uncollectibles:						
Taxes	2,232,502	-	-	-	-	2,232,502
Accounts	126,902	198,312	293,898	-	-	619,112
Intergovernmental	49,365	-	-	-	-	49,365
Interfund receivable	37,282	-	-	-	10,343	47,625
Prepaid items	120,422	-	-	-	-	120,422
Tax deeded property held for resale	384,152	-	-	-	-	384,152
Total assets	$ 12,609,636	$ 2,060,134	$ 3,063,836	$ 2,065,723	$ 260,343	$ 20,059,672
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 183,584	$ 15,958	$ 25,937	$ -	$ -	$ 225,479
Accrued salaries and benefits	104,298	3,398	3,119	-	-	110,815
Intergovernmental payable	5,829,754	-	-	-	-	5,829,754
Interfund payable	10,343	5,151	3,334	28,522	275	47,625
Escrow and performance deposits	440	-	847	-	-	1,287
Miscellaneous current liabilities	90	-	-	-	-	90
Total liabilities	6,128,509	24,507	33,237	28,522	275	6,215,050
Deferred inflows of resources:						
Deferred revenue	3,572,514	2,986	3,180	-	-	3,578,680
Fund balances:						
Nonspendable	504,574	-	-	1,644,254	-	2,148,828
Restricted	631,168	-	-	392,947	-	1,024,115
Committed	1,333,466	2,032,641	3,027,419	-	260,068	6,653,594
Assigned	61,500	-	-	-	-	61,500
Unassigned	377,905	-	-	-	-	377,905
Total fund balances	2,908,613	2,032,641	3,027,419	2,037,201	260,068	10,265,942
Total liabilities, deferred inflows of resources, and fund balances	$ 12,609,636	$ 2,060,134	$ 3,063,836	$ 2,065,723	$ 260,343	$ 20,059,672

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, 2023

Total fund balances of governmental funds (Exhibit 3)		$ 10,265,942
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		(94,309)
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	$ (47,625)	
Payables	47,625	-
Revenues that are not available to pay for current period expenditures are deferred in the funds.		
Unavailable tax revenue	$ 1,798,437	
Unavailable ambulance revenue	62,660	
		1,861,097
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(23,625)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes outstanding	$ 856,976	
Unamortized loan forgiveness	(120,619)	
Unamortized bond premium	12,444	
Capital leases outstanding	395,468	
Compensated absences payable	296,996	
Accrued landfill postclosure care costs	1,020,000	
Net pension liability	3,672,097	
		(6,133,362)
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	$ 461,499	
Deferred inflows of resources related to pensions	(169,659)	
		291,840
Total net position of governmental activities (Exhibit 1)		$ 6,167,583

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, 2023

	General	Water Department	Sewer Department	Permanent	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	$ 6,506,753	$ -	$ -	$ -	$ -	$ 6,506,753
Licenses, permits and fees	1,155,564	-	-	-	-	1,155,564
Intergovernmental	1,705,781	23,677	-	-	-	1,729,458
Charges for services	1,043,817	710,691	1,033,208	-	23,635	2,811,351
Miscellaneous	177,971	61,978	86,186	262,197	24,983	613,315
Total revenues	10,589,886	796,346	1,119,394	262,197	48,618	12,816,441
Expenditures:						
Current:						
General government	1,339,796	-	-	1,936	-	1,341,732
Public safety	4,548,148	-	-	46,723	55,947	4,650,818
Highways and streets	1,414,968	-	-	-	-	1,414,968
Sanitation	711,053	-	670,089	-	-	1,381,142
Water distribution and treatment	-	518,852	-	-	-	518,852
Health	9,648	-	-	-	-	9,648
Welfare	119,361	-	-	-	-	119,361
Culture and recreation	570,254	-	-	16,556	3,829	590,639
Conservation	9,387	-	-	-	-	9,387
Debt service:						
Principal	75,594	181,512	53,333	-	-	310,439
Interest	5,079	25,789	2,663	-	-	33,531
Capital outlay	2,128,936	198,513	-	-	-	2,327,449
Total expenditures	10,932,224	924,666	726,085	65,215	59,776	12,707,966
Excess (deficiency) of revenues over (under) expenditures	(342,338)	(128,320)	393,309	196,982	(11,158)	108,475
Other financing sources (uses):						
Transfers in	11,966	-	-	10,280	10,343	32,589
Transfers out	(20,623)	-	-	(11,966)	-	(32,589)
Inception of capital lease	269,825	-	-	-	-	269,825
Total other financing sources and uses	261,168	-	-	(1,686)	10,343	269,825
Net change in fund balances	(81,170)	(128,320)	393,309	195,296	(815)	378,300
Fund balances, beginning	2,989,783	2,160,961	2,634,110	1,841,905	260,883	9,887,642
Fund balances, ending	$ 2,908,613	$ 2,032,641	$ 3,027,419	$ 2,037,201	$ 260,068	$ 10,265,942

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, 2023

Net change in fund balances of governmental funds (Exhibit 5)			$	378,300
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				(46,458)
Transfers in and out between governmental funds are eliminated on the operating statement.				
Transfers in	$	(32,589)		
Transfers out		32,589		
				-
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	$	(300,626)		
Change in unavailable ambulance revenue		6,683		
Change in long-term receivable for loan forgiveness		(10,966)		
				(304,909)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Niether transaction, however, has any effect on net position.				
Inception of capital lease	$	(269,825)		
Repayment of bond and note principal		368,406		
Amortization of bond premium		12,446		
Repayment of capital lease principal		200,155		
				311,182
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.				
Increase in accrued interest expense	$	(3,695)		
Decrease in compensated absences payable		1,949		
Decrease in accrued landfill postclosure care costs		3,000		
				1,254
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	$	426,391		
Cost of benefits earned, net of employee contributions		(421,950)		
				4,441
Change in net position of governmental activities (Exhibit 2)			$	343,810

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, 2023

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes	$ 6,204,964	$ 6,204,964	$ 6,206,127	$ 1,163
Licenses, permits and fees	1,163,850	1,163,850	1,155,564	(8,286)
Intergovernmental	791,940	1,608,225	1,656,518	48,293
Charges for services	820,000	820,000	1,043,817	223,817
Miscellaneous	129,000	129,000	108,551	(20,449)
Total revenues	9,109,754	9,926,039	10,170,577	244,538
EXPENDITURES				
Current:				
General government	1,237,734	1,237,734	1,310,233	(72,499)
Public safety	4,570,851	4,570,851	4,527,901	42,950
Highways and streets	1,458,930	1,458,930	1,385,530	73,400
Sanitation	665,046	665,046	711,053	(46,007)
Health	10,165	10,165	9,648	517
Welfare	114,276	114,276	119,361	(5,085)
Culture and recreation	516,873	516,873	511,594	5,279
Conservation	15,231	15,231	9,387	5,844
Debt service:				
Principal	73,500	73,500	75,594	(2,094)
Interest on long-term debt	7,500	7,500	5,079	2,421
Interest on tax anticipation note	1,500	1,500	-	1,500
Capital outlay	819,450	1,635,735	1,395,555	240,180
Total expenditures	9,491,056	10,307,341	10,060,935	246,406
Excess (deficiency) of revenues over (under) expenditures	(381,302)	(381,302)	109,642	490,944
Other financing sources (uses):				
Transfers in	4,000	4,000	4,581	581
Transfers out	(510,000)	(510,000)	(520,343)	(10,343)
Total other financing sources and uses	(506,000)	(506,000)	(515,762)	(9,762)
Net change in fund balance	$ (887,302)	$ (887,302)	(406,120)	$ 481,182
Increase in nonspendable fund balance			(53,041)	
Increase in restricted fund balance			(1)	
Unassigned fund balance, beginning			2,635,504	
Unassigned fund balance, ending			$ 2,176,342	

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

EXHIBIT 8

TOWN OF HILLSBOROUGH, NEW HAMPSHIRE

Water Department Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual (Non-GAAP Budgetary Basis)

For The Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental	$ -	$ 23,677	$ 23,677
Charges for services	819,860	710,691	(109,169)
Miscellaneous	17,500	44,894	27,394
Total revenues	837,360	779,262	(58,098)
EXPENDITURES			
Current:			
Water distribution and treatment	544,360	518,852	25,508
Debt service:			
Principal	182,000	181,512	488
Interest	26,000	25,789	211
Capital outlay	-	198,513	(198,513)
Total expenditures	752,360	924,666	(172,306)
Excess (deficiency) of revenues over (under) expenditures	85,000	(145,404)	(230,404)
Other financing sources (uses):			
Transfers in	15,000	198,513	183,513
Transfers out	(100,000)	(111,413)	(11,413)
Total other financing sources and uses	(85,000)	87,100	172,100
Net change in fund balance	$ -	(58,304)	$ (58,304)
Fund balance, beginning		1,162,165	
Fund balance, ending		$ 1,103,861	

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

EXHIBIT 9
TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
Sewer Department Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For The Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	$ 1,015,000	$ 1,033,208	$ 18,208
Miscellaneous	48,694	62,893	14,199
Total revenues	1,063,694	1,096,101	32,407
EXPENDITURES			
Current:			
Sanitation	746,860	670,089	76,771
Debt service:			
Principal	53,334	53,333	1
Interest	2,700	2,663	37
Total expenditures	802,894	726,085	76,809
Excess of revenues over expenditures	260,800	370,016	109,216
Other financing sources (uses):			
Transfers in	-	12,520	12,520
Transfers out	(260,800)	(309,669)	(48,869)
Total other financing sources and uses	(260,800)	(297,149)	(36,349)
Net change in fund balance	$ -	72,867	$ 72,867
Fund balance, beginning		1,337,893	
Fund balance, ending		$ 1,410,760	

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, 2023

	Private Purpose Trust	Custodial
Assets:		
Cash and cash equivalents	$ 97,935	$ 2,044,395
Investments	228,941	486,802
Total assets	326,876	2,531,197
Liabilities	-	-
Net position:		
Held in trust for specific purposes	326,876	-
Held on behalf of school and village districts	-	2,531,197
Total net position	$ 326,876	$ 2,531,197

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, 2023

	Private Purpose Trust	Custodial
Additions:		
Receipts from Emerald Lake Village District	$ -	$ 266,500
Receipts from Hillsboro-Deering Cooperative School District	-	2,500
Investment earnings:		
Interest and dividends	10,701	56,869
Net change in fair value of investments	1,904	42,770
Total additions	12,605	368,639
Deductions:		
Trust distributions	8,449	-
Distributions to Emerald Lake Village District	-	77,000
Distributions to Hillsboro-Deering Cooperative School District	-	154,564
Total deductions	8,449	231,564
Change in net position	4,156	137,075
Net position, beginning	322,720	2,394,122
Net position, ending	$ 326,876	$ 2,531,197

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, 2023.

I.B. Financial Reporting Entity – Basis of Presentation

I.B.1. *Entity Defined*

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

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

Government-Wide Financial Statements

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

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges for the Town's services; (2) operating grants and contributions, which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which finance the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and revenue from other sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

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

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

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

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

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 three 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 fund is 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 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.

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 2023, none of the General Fund's unassigned fund balance from 2022 was so used, while $887,302 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)	$ 10,175,158
Adjustments:	
Basis difference:	
Capital lease inception	269,825
Tax revenue deferred in the prior year	2,099,063
Tax revenue deferred in the current year	(1,798,437)
Perspective difference:	
Revenue of Library Fund	38,618
Revenue of Project Lift Fund	58,223
Revenue of Expendable Trust Fund	21,842
Transfer to Library from Permanent Fund	7,385
Per Exhibit 5 (GAAP basis)	$ 10,871,677

Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	$ 10,581,278
Adjustments:	
Basis difference:	
Encumbrances, beginning	339,865
Encumbrances, ending	(300,302)
Capital lease inception	269,825
Perspective difference:	
Expenditures of Library Fund	933
Expenditures of Project Lift Fund	57,727
Expenditures of Expendable Trust Fund	503,241
Transfer to Permanent Fund	10,280
Transfers to Expendable Trust Fund	(510,000)
Per Exhibit 5 (GAAP basis)	$ 10,952,847

Unassigned fund balance:	
Per Exhibit 7 (budgetary basis)	$ 2,176,342
Adjustment:	
Basis difference:	
Deferred tax revenue, GAAP basis	(1,798,437)
Per Exhibit 3 (GAAP basis)	$ 377,905

Water Department Fund

Revenues:	
Per Exhibit 8 (budgetary basis)	$ 977,775
Adjustments:	
Perspective difference:	
Revenue of Expendable Trust Fund	17,084
Transfers from Expendable Trust Fund	(198,513)
Per Exhibit 5 (GAAP basis)	$ 796,346

Expenditures and other financing uses:	
Per Exhibit 8 (budgetary basis)	$ 1,036,079
Adjustment:	
Perspective difference:	
Transfers to Expendable Trust Fund	(111,413)
Per Exhibit 5 (GAAP basis)	$ 924,666

Committed fund balance:	
Per Exhibit 8 (budgetary basis)	$ 1,103,861
Adjustment:	
Perspective difference:	
Equity of expendable trust fund reported in Water Department Fund	928,780
Per Exhibit 3 (GAAP basis)	$ 2,032,641

Sewer Department Fund

Revenues:	
Per Exhibit 9 (budgetary basis)	$ 1,108,621
Adjustment:	
Perspective difference:	
Revenue of Expendable Trust Fund	23,293
Transfers from Expendable Trust Fund	(12,520)
Per Exhibit 5 (GAAP basis)	$ 1,119,394
Expenditures and other financing uses:	
Per Exhibit 9 (budgetary basis)	$ 1,035,754
Adjustment:	
Perspective difference:	
Transfers to Expendable Trust Fund	(309,669)
Per Exhibit 5 (GAAP basis)	$ 726,085
Committed fund balance:	
Per Exhibit 9 (budgetary basis)	$ 1,410,760
Adjustment:	
Perspective difference:	
Equity of expendable trust fund reported in Sewer Department Fund	1,616,659
Per Exhibit 3 (GAAP basis)	$ 3,027,419

III. Detailed Notes on Funds and Government-Wide Statements

III.A. Assets

III.A.1. *Investments*

As of December 31, 2023, the Town's reporting entity had the following investments:

Common Stock	$ 1,239,602
Corporate Bonds	998,613
New Hampshire Public Deposit Investment Pool (PDIP)	2,672,666
	$ 4,910,881

The investments appear in the financial statements as follow:

Fund reporting level:	
Governmental funds - balance sheet (Exhibit 3)	$ 4,195,138
Fiduciary funds - statement of fiduciary net position (Exhibit 10)	715,743
Total	$ 4,910,881

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, 2023:

Investment	Level 1	Level 2	Total
Common Stock	$ 1,239,602	$ -	$ 1,239,602
Corporate Bonds	998,613	-	998,613
PDIP	-	2,672,666	2,672,666
	$ 2,238,215	$ 2,672,666	$ 4,910,881

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, 2023 is as follows:

	Fair Value
Aa	$ 85,318
A	195,969
Baa	194,471
N/A	522,855
Exempt from disclosure	3,912,268
	$ 4,910,881

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) 1 to 5	Investment maturities (in years) 10 to 15
Corporate Bonds	$ 998,613	$ 459,199	$ 539,414

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 $4,910,881 of investments, $2,238,215 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 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 2022 property taxes on June 30th.

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, 2023, upon which the 2023 property tax levy was based was:

For the New Hampshire education tax	$ 566,855,256
For the Hillsborough county tax	$ 600,153,876
For all other taxes	$ 600,148,876

The tax rates and amounts assessed for the year ended December 31, 2023 were as follow:

	Per $1,000 of Assessed Valuation	
Municipal portion	$10.40	$ 6,246,959
School portion:		
State of New Hampshire	$1.28	767,931
Local	$17.67	10,602,067
County portion	$1.87	1,057,438
Precinct portion:		
Emerald Lake Village	$3.13	290,843
Total property taxes assessed		$ 18,965,238

The following details the taxes receivable at year-end:

Property:	
Levy of 2023	$ 1,168,334
Unredeemed (under tax lien):	
Levy of 2022	381,519
Levy of 2021	270,077
Levy of 2020	179,403
Levy of 2019	149,380
Levies of 2018 and prior	315,833
Yield	7,694
Water liens	28,017
Sewer liens	32,245
Less: allowance for estimated uncollectible taxes	(300,000)
Net taxes receivable	$ 2,232,502

Other Receivables

Other significant receivables include the unpaid balances on ambulance service, water and sewer charges, landfill 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 2023 charges and 100% of previous charges. Related amounts are shown as follow:

Accounts	$ 979,759
Intergovernmental	49,365
Liens	1,417
Less: allowance for uncollectible amounts	(362,064)
Net total receivables	$ 668,477

Deferred Revenue

Deferred revenue of $3,578,680 at December 31, 2023 represents $1,798,437 of property taxes and liens and 62,661 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; $1,701,048 of federal grants not recognized until expended, $2,986 of prepaid water user fees and $3,180 of prepaid sewer user fees, and $10,368 of prepaid taxes. In the governmental activities, the grants, and prepaid amounts are reported as unearned revenue.

III.B. Liabilities

III.B.1. *Intergovernmental Payable*

The amount due to other governments at December 31, 2023 consists of $5,678,309 due to the Hillsboro-Deering Cooperative School District for the balance of the 2023-2024 district assessment and $151,445 due to the Emerald Lake Village District for the balance of the 2023 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 12/31/2023	Current Portion
General obligation bonds/notes payable:						
Water mains	$ 1,792,000	2004	2024	2.5-4.125	$ 84,000	$ 84,000
Fire station	$ 282,000	2004	2024	2.5-4.125	13,000	13,000
Library	$ 400,000	2010	2026	3.3	81,003	31,605
Bible Hill	$ 214,258	2012	2031	1.1	52,744	5,910
Screw pump	$ 800,000	2013	2027	2.75	57,252	53,333
Water filtration	$ 833,389	2015	2035	2.616	568,977	40,097
					856,976	227,945
Unamortized bond premium					12,444	12,444
Capital leases payable:						
Fire apparatus	$ 850,000	2016	2025	3.05	185,364	91,290
Dump truck	$ 269,825	2023	2027	5.34	210,104	48,501
					395,468	139,791
Compensated absences payable:						
Vested earned leave					17,056	-
Accrued vacation leave					279,940	1,224
					296,996	1,224
Accrued landfill postclosure care costs					1,020,000	34,000
Net pension liability					3,672,097	-
					$ 6,253,981	$ 415,404

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, 2023, the Town reported a reduction of bonds and notes payable of $10,966, with a remaining unamortized loan forgiveness balance of $120,619.

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, 2023:

	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	$ 1,225,382	$ 24,890	$ 325,798	$ 298,945	$ 1,023,000	$ 3,874,483	$ 6,772,498
Additions	-	-	269,825	-	-	-	269,825
Reductions	(368,406)	(12,446)	(200,155)	(1,949)	(3,000)	(202,386)	(788,342)
Balance, ending	$ 856,976	$ 12,444	$ 395,468	$ 296,996	$ 1,020,000	$ 3,672,097	$ 6,253,981

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
2024	$ 227,945	$ 24,159	$ 252,104
2025	84,156	16,709	100,865
2026	65,912	14,293	80,205
2027	50,821	12,697	63,518
2028	52,502	11,337	63,839
2029-2033	273,903	34,886	308,789
2034-2035	101,737	3,871	105,608
Totals	$ 856,976	$ 117,952	$ 974,928

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

Year Ending December 31,	Principal	Interest	Total
2024	$ 139,791	$ 16,874	$ 156,665
2025	145,165	11,500	156,665
2026	53,819	5,901	59,720
2027	56,693	3,027	59,720
Totals	$ 395,468	$ 37,302	$ 432,770

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 $1,020,000 as of December 31, 2023. 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, 2023. 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	$ 5,151
General	Sewer Department	3,334
General	Permanent	28,522
General	Nonmajor	275
Nonmajor	General	10,343
		$ 47,625

The amounts due to the General Fund from the Water and Sewer Department Funds represent reimbursement of payroll charges. The amount due to the General Fund from the Permanent Fund represents interest earned on trust funds. The amount due to the General Fund from the Nonmajor Funds represents reimbursement of expenditures from the Youth Services Fund. The amount due to the Nonmajor Funds represents land use change tax that has been collected and unexpended balance of appropriations to the Conservation Fund.

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.

	Transfers In:			
	General Fund	Permanent Fund	Nonmajor Funds	Total
Transfers out:				
General fund	$ -	$ 10,280	$ 10,343	$ 20,623
Permanent fund	11,966	-	-	11,966
	$ 11,966	$ 10,280	$ 10,343	$ 32,589

The amount transferred to the Permanent Fund represents closure of a trust fund account. The amount transferred to the Nonmajor Funds represents land use change tax and an unexpended balance of appropriations to the Conservation Fund. The amount transferred to the General Fund represents interest earned.

III.D. 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	Sewer Department	Permanent Fund	Nonmajor Funds
Nonspendable:					
Endowments	$ -	$ -	$ -	$ 1,644,254	$ -
Prepaid items	120,422	-	-	-	-
Tax deeded property	384,152	-	-	-	-
Total nonspendable	504,574	-	-	1,644,254	-
Restricted:					
General government	-	-	-	392,947	-
Public safety	1,219	-	-	-	-
Culture and recreation	629,949	-	-	-	-
Total restricted	631,168	-	-	392,947	-
Committed:					
Public safety	-	-	-	-	6,548
Highways and streets	238,802	-	-	-	-
Sanitation	-	-	3,027,419	-	-
Water distribution and treatment	-	2,032,641	-	-	-
Culture and recreation	-	-	-	-	21,268
Conservation	-	-	-	-	232,252
Capital outlay	1,094,664	-	-	-	-
Total committed	1,333,466	2,032,641	3,027,419	-	260,068
Assigned for public safety	61,500	-	-	-	-
Unassigned	377,905	-	-	-	-
Total fund balance	$ 2,908,613	$ 2,032,641	$ 3,027,419	$ 2,037,201	$ 260,068

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 2023 to be recorded as an insurance expenditure/expense totaled $111,410 for property/liability, and $70,620 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 through June 30 were 33.88% for police and 32.99% for fire employees, decreasing effective July 1 to 31.28% for police and 30.3% for fire employees. The rates are actuarially determined to generate an amount, that when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions from the Town during the years 2021, 2022, and 2023 were $348,732, $389,118, and $426,391, 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, 2023, the Town reported a liability of $3,672,097 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022, 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, 2023, the Town's proportion was 0.0656%, which was an decrease of 0.0019% from its proportion reported as of December 31, 2022

For 2023, the Town recognized pension expense of $421,950. 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	$ 4,936	$ 168,183
Net differences between projected and actual earnings on pension plan investments	53,105	-
Changes in assumptions	96,648	-
Differences between expected and actual experience	93,830	1,476
Town contributions subsequent to the measurement date	212,980	-
	$ 461,499	$ 169,659

The Town reported $212,890 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,	
2024	$ 53,699
2025	(127,039)
2026	174,144
2027	(21,944)
	$ 78,860

Actuarial Assumptions

The total pension liability in the June 30, 2023 actuarial valuation was determined using the actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023, 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 17-20 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	3.86% 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.

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	$ 4,982,591	$ 3,672,097	$ 2,552,360

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Town's proportion of net pension liability	0.0656%	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	$ 3,672,097	$ 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	$ 1,313,740	$ 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	279.51%	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	67.18%	65.12%	72.22%	58.72%	65.59%	64.73%	62.70%	58.30%	65.50%	66.30%

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 426,391	$ 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	(426,391)	(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	$ 1,313,740	$ 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	32.46%	30.60%	27.93%	28.55%	29.06%	29.60%	28.09%	26.57%	26.06%	25.48%

COMBINING NONMAJOR AND INDIVIDUAL GENERAL FUND SCHEDULES

EXHIBIT 14
TOWN OF HILLSBOROUGH, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2023

	Special Revenue Funds			
	Police Detail	Conservation	Youth Services	Total
ASSETS				
Cash and cash equivalents	$ 6,548	$ -	$ 21,543	$ 28,091
Investments	-	221,909	-	221,909
Interfund receivable	-	10,343	-	10,343
Total assets	$ 6,548	$ 232,252	$ 21,543	$ 260,343
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund payable	$ -	$ -	$ 275	$ 275
Fund balances:				
Committed	6,548	232,252	21,268	260,068
Total liabilities and fund balances	$ 6,548	$ 232,252	$ 21,543	$ 260,343

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, 2023

	Special Revenue Funds			
	Police Detail	Conservation	Youth Services	Total
REVENUES				
Charges for services	$ 23,635	$ -	$ -	$ 23,635
Miscellaneous	11	10,397	14,575	24,983
Total revenues	23,646	10,397	14,575	48,618
EXPENDITURES				
Current:				
Public safety	55,947	-	-	55,947
Culture and recreation	-	-	3,829	3,829
Total expenditures	55,947	-	3,829	59,776
Excess (deficiency) of revenues over (under) expenditures	(32,301)	10,397	10,746	(11,158)
Other financing sources:				
Transfers in	-	10,343	-	10,343
Net change in fund balances	(32,301)	20,740	10,746	(815)
Fund balances, beginning	38,849	211,512	10,522	260,883
Fund balances, ending	$ 6,548	$ 232,252	$ 21,268	$ 260,068

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, 2023

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	$ 5,925,345	$ 5,953,814	$ 28,469
Land use change	39,000	-	(39,000)
Timber	38,500	38,319	(181)
Excavation	1,000	477	(523)
Payments in lieu of taxes	3,119	1,627	(1,492)
Interest and penalties on delinquent taxes	198,000	211,890	13,890
Total taxes	6,204,964	6,206,127	1,163
Licenses, permits and fees:			
Business licenses and permits	750	945	195
Motor vehicle permits	1,100,000	1,077,773	(22,227)
Building permits	60,000	73,301	13,301
Other	3,100	3,545	445
Total licenses, permits and fees	1,163,850	1,155,564	(8,286)
Intergovernmental:			
State sources:			
Meals and rooms distributions	559,196	559,196	-
Highway block grant	180,295	180,272	(23)
Water pollution grant	5,969	5,990	21
State and federal forest land	1,480	1,480	-
Bridge aid	212,658	212,658	-
NHEYP	87,974	87,974	-
Federal sources:			
Sidewalk TAP grant	45,000	1,113	(43,887)
ARPA	30,000	111,593	81,593
Community development block grant	485,653	485,653	-
Other government sources (Windsor, Deering)	-	10,589	10,589
Total intergovernmental	1,608,225	1,656,518	48,293
Charges for services:			
Income from departments	820,000	1,043,817	223,817
Miscellaneous:			
Sale of property	26,000	30,896	4,896
Interest on investments	18,000	18,358	358
Rent of property	35,000	36,528	1,528
Fines and forfeits	-	603	603
Insurance dividends and reimbursements	12,000	11,517	(483)
Other	38,000	10,649	(27,351)
Total miscellaneous	129,000	108,551	(20,449)
Other financing sources:			
Transfers in:			
Nonmajor funds	4,000	4,581	581
Total revenues and other financing sources	9,930,039	$ 10,175,158	$ 245,119
Fund balance appropriated	887,302		
Total revenues, other financing sources and use of fund balance	$ 10,817,341		

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, 2023

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	$ -	$ 491,048	$ 506,703	$ -	$ (15,655)
Election and registration	-	6,128	5,301	-	827
Financial administration	-	235,613	229,880	-	5,733
Revaluation of property	-	73,500	61,925	-	11,575
Legal	-	16,000	44,865	-	(28,865)
Planning and zoning	-	149,794	150,551	-	(757)
General government buildings	-	113,883	107,636	-	6,247
Cemeteries	-	29,925	30,629	-	(704)
Insurance, not otherwise allocated	-	117,740	166,659	-	(48,919)
Other	-	4,103	6,084	-	(1,981)
Total general government	-	1,237,734	1,310,233	-	(72,499)
Public safety:					
Police	81,747	2,731,573	2,687,545	61,500	64,275
Fire	-	831,582	846,051	-	(14,469)
Building inspection	-	95,851	94,155	-	1,696
Emergency management	-	631,773	606,979	-	24,794
Other	-	280,072	313,418	-	(33,346)
Total public safety	81,747	4,570,851	4,548,148	61,500	42,950
Highways and streets:					
Highways and streets	29,438	1,413,930	1,399,083	-	44,285
Street lighting	-	45,000	15,885	-	29,115
Total highways and streets	29,438	1,458,930	1,414,968	-	73,400
Sanitation:					
Solid waste collection	-	500	239	-	261
Solid waste disposal	-	664,546	710,814	-	(46,268)
Total sanitation	-	665,046	711,053	-	(46,007)
Health:					
Pest control	-	6,165	5,648	-	517
Health agencies and hospitals	-	4,000	4,000	-	-
Total health	-	10,165	9,648	-	517
Welfare:					
Administration and direct assistance	-	114,276	119,361	-	(5,085)

(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, 2023

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Culture and recreation:					
Parks and recreation	-	201,199	203,801	-	(2,602)
Public library	-	280,544	277,518	-	3,026
Patriotic purposes	-	17,630	14,775	-	2,855
Other	-	17,500	15,500	-	2,000
Total culture and recreation	-	516,873	511,594	-	5,279
Conservation	-	9,388	9,387	-	1
Debt service:					
Principal	-	73,500	75,594	-	(2,094)
Interest on long-term debt	-	7,500	5,079	-	2,421
Interest on tax anticipation note	-	1,500	-	-	1,500
Total debt service	-	82,500	80,673	-	1,827
Capital outlay:					
Machinery, vehicles and equipment	-	196,450	251,564	-	(55,114)
Improvements other than buildings	228,680	1,439,285	1,133,869	238,802	295,294
Total capital outlay	228,680	1,635,735	1,385,433	238,802	240,180
Other financing uses:					
Transfers out:					
Expendable trust fund	-	510,000	510,000	-	-
Nonmajor funds	-	5,843	10,343	-	(4,500)
Total other financing uses	-	515,843	520,343	-	(4,500)
Total encumbrances, appropriations, expenditures and other financing uses	$ 339,865	$ 10,817,341	$ 10,620,841	$ 300,302	$ 236,063

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, 2023

Unassigned fund balance, beginning		$ 2,635,504
Changes:		
Unassigned fund balance appropriated		(887,302)
Budget summary:		
Revenue surplus (Exhibit 16)	$ 245,119	
Unexpended balance of appropriations (Exhibit 17)	236,063	
Budget surplus		481,182
Increase in nonspendable fund balance		(53,041)
Increase in restricted fund balance		(1)
Unassigned fund balance, ending		$ 2,176,342

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, 2023, 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 Assets and Capital Asset Policy

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

Other Postemployment Benefits (OPEB)

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

We also want to discuss the following other matter:

Compensated Absences Payable

The Town has a compensated absences payable of $296,996 as of December 31, 2023, a decrease of $1,949 from 2022, but an overall increase of $118,572, or 60%, since 2018. This represents a potential expenditure that

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would be against future years' operating budgets. 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.

January 14, 2025

Roberts & Greene, PLLC