

February 10, 2021

To the Board of Selectmen
Town of Pembroke, New Hampshire

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pembroke, New Hampshire for the year ended December 31, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 12, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Pembroke, New Hampshire are described in Note 1 to the financial statements. During the year ended December 31, 2019, the Town of Pembroke, New Hampshire adopted and implemented GASB Statement No. 84 – *Fiduciary Activities*. Accordingly, the cumulative effect of the accounting change as of the beginning of the year has been reported in the financial statements and is described in Note 15 to the basic financial statements. We noted no transactions entered into by the Town of Pembroke, New Hampshire during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements of the Governmental Activities, the Business-type activities, and major Proprietary Funds were:

Management's estimates of the useful lives of capital assets are based upon historical records of utilization, necessary improvements and replacements. We evaluated the key factors and assumptions used to develop the depreciable useful lives of capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.

Significant estimates also include actuarial assumptions used in determining pension and other post-employment benefit costs which are based on plan audited financial statements and a plan actuarial valuation report, respectively. We evaluated the assumptions used in the plan audited financial statements and the plan actuarial valuation report to determine that they are reasonable in relation to the financial statements as a whole.

The most sensitive estimates affecting the financial statements of the Governmental Activities, the Business-type activities, General Fund, Sewer Fund, and the aggregate remaining fund information were:

Management's estimates of the allowances for uncollectible receivables are based on the likelihood of the Town to collect monies owed to it. We evaluated the key factors and assumptions used to develop the allowances in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Please see the attached schedule of material adjustments detected and corrected as a result of audit procedures.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 10, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Town of Pembroke, New Hampshire's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town of Pembroke, New Hampshire's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, budgetary comparison information, schedules of changes in the Town's proportionate share of the net OPEB liability, schedule of Town OPEB contributions, schedule of changes in the Town's total OPEB liability and related ratios, schedule of changes in the Town's Water Fund total OPEB liability and related ratios, schedule of changes in the Town's proportionate share of the net pension liability and schedule of Town pension contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining nonmajor governmental fund financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Very truly yours,

Vachon Clukay & Company PC

Town of Pembroke, New Hampshire
Material Audit Adjustments
For the Year Ended December 31, 2019

The following is a listing of the material audit adjustments made for the year ended December 31, 2019 and have been corrected by management:

Ambulance Fund:

- To restore the prior year fund balance and reduce the recorded transfer out in the amount of \$365,000.

Sewer Fund:

- To restore prior year net position in the amount of \$165,922.
- To record principal payments on the notes payable as a reduction of the liability in the amount of \$49,243.
- To record the current year depreciation expense in the amount of \$159,273.

Aggregate Remaining Funds:

- To reduce the interfund receivable from the General Fund by \$69,497 in the Road Capital Projects Fund.
- To increase investments in the Permanent Funds and School Custodial Funds to their fair value in the amount of \$389,155.

**REPORT ON INTERNAL CONTROL BASED ON
AN AUDIT OF BASIC FINANCIAL STATEMENTS**

To the Board of Selectmen
Town of Pembroke, New Hampshire

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pembroke, New Hampshire (the Town) as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Vachon Clukay & Company PC

Manchester, New Hampshire
February 10, 2021

TOWN OF PEMBROKE, NEW HAMPSHIRE

Financial Statements

December 31, 2019

and

Independent Auditor's Report

TOWN OF PEMBROKE, NEW HAMPSHIRE
FINANCIAL STATEMENTS
December 31, 2019

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FINANCIAL STATEMENTS
December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen
Town of Pembroke, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pembroke, New Hampshire (the Town) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pembroke, New Hampshire, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the Town's proportionate share of the net OPEB liability, schedule of Town OPEB contributions, schedule of changes in the Town's total OPEB liability and related ratios, schedule of changes in the Town's Water Fund total OPEB liability and related ratios, schedule of changes in the Town's proportionate share of the net pension liability, and schedule of Town pension contributions on pages i-viii and 40-48 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, economic, or historical 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Pembroke, New Hampshire's basic financial statements. The combining nonmajor governmental fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor governmental fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor governmental fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Vashon Clukay & Company PC

Manchester, New Hampshire
February 10, 2021

TOWN OF PEMBROKE, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2019

Presented herewith please find the Management Discussion & Analysis Report for the Town of Pembroke for the year ending December 31, 2019. The responsibility for accuracy of the data, the completeness and fairness of this documentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in material aspects. This report and its content have been designed to fairly present the Town's financial position, including the result of operations of all the funds of the Town. All the disclosures necessary to enable and to assist the reader in acquiring an accurate understanding of the Town's financial activities have been included.

The Town's management is responsible for establishing accounting and internal control structures designed to ensure that the physical, data, informational, intellectual, and human resource assets of the Town are protected from loss, theft and misuse, and to ensure that adequate accounting information is maintained and reported in conformity with generally accepted accounting principles (GAAP). Management also strives to ensure that these assets are put to good and effective use. The internal control structure is designed to provide reasonable assurances that these objectives are attained.

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the Town of Pembroke using the integrated approach as prescribed by GASB Statement 34, as amended, and GASB Statement 84.

This discussion and analysis is intended to serve as an introduction to the Town of Pembroke's financial statements. The basic financial statements comprise three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

This report also contains required supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to most private-sector companies.

The statement of net position presents information on all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements have separate sections for two types of activities:

TOWN OF PEMBROKE, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2019

Governmental activities – represent most of the Town's basic services

Business-type activities – account for the Town's water and sewer operations and receive a majority of their revenue from user fees.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain the control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and to demonstrate compliance with finance-related legal requirements. The Town maintains three fund types: governmental, proprietary, and fiduciary funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, our readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental activities statement of net position and statement of activities.

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances for the General Fund and Ambulance Fund, which are considered major funds. Other governmental funds are aggregated as nonmajor funds.

The Town adopts an annual appropriation budget for its governmental funds. A budgetary comparison has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary funds provide water and sewer services to customers and charge a user fee. They are presented on the accrual basis of accounting.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the Town. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

TOWN OF PEMBROKE, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2019

Required Supplementary Information

The basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for the Town's major governmental funds and includes a reconciliation between the reported activity of the revenues, expenditures and transfers for budgetary purposes (Schedule 1) and the activity as presented in the governmental fund financial statements (Exhibit D). The Town's only major governmental fund with an adopted budget is the General Fund.

This section also includes a schedule of changes in the Town's proportionate share of the net OPEB liability, schedule of Town OPEB contributions, schedule of changes in the Town's total OPEB liability and related ratios, schedule of changes in the Town's Water Fund total OPEB liability and related ratios, schedule of changes in the Town's proportionate share of the net pension liability, and a schedule of Town pension contributions.

Other Supplementary Information

Other supplementary information includes combining financial statements for the nonmajor governmental funds.

Government-Wide Financial Analysis

Governmental Activities

The table below provides a summary of the Town's net position of its governmental activities as of December 31, 2019 compared with 2018. Please note that the 2018 figures have been restated. In addition to a restatement of capital assets, the Town implemented GASB Statement No. 84 during the year ended December 31, 2019. In accordance with GASB Statement No. 84, cash received, taxes receivable and the applicable taxes payable to the Pembroke School District at year end are now reported in the fiduciary funds.

	<u>2019</u>	<u>2018</u>
Current and Other Assets:		
Capital assets	\$ 16,906,100	\$ 15,989,573
Other assets	<u>11,349,626</u>	<u>11,837,368</u>
Total Assets	<u>28,255,726</u>	<u>27,826,941</u>
Deferred Outflows of Resources	<u>387,628</u>	<u>611,783</u>
Long-term and Other Liabilities:		
Long-term obligations	8,305,534	8,968,879
Other liabilities	<u>1,129,407</u>	<u>1,062,428</u>
Total Liabilities	<u>9,434,941</u>	<u>10,031,307</u>
Deferred Inflows of Resources	<u>238,605</u>	<u>133,085</u>
Net Position:		
Net investment in capital assets	13,127,826	13,336,260
Restricted	116,778	115,285
Unrestricted	<u>5,725,204</u>	<u>4,822,787</u>
Total Net Position	<u>\$ 18,969,808</u>	<u>\$ 18,274,332</u>

TOWN OF PEMBROKE, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2019

The Town's net position totaled \$18,969,808 at December 31, 2019, an increase of \$695,476 when compared to the end of 2018.

Approximately 69% of the Town's net position reflects its investment in capital assets such as land, buildings, and equipment less any related outstanding debt used to acquire those assets. Another 1% of the Town's net position is restricted in regard to how it may be used. For the Town of Pembroke, those restrictions include those related to permanent funds. The remaining unrestricted portion represents the part of net position of the Town of Pembroke that can be used to finance day-to-day operations.

Changes in net position for governmental activities for the year ending December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Program revenues:		
Charges for services	\$ 761,363	\$ 747,847
Operating grants and contributions	293,829	378,064
Capital grants and contributions	63,824	-
Total program revenues	<u>1,119,016</u>	<u>1,125,911</u>
General revenues:		
Property and other taxes	4,023,504	4,499,385
Licenses and permits	1,680,243	1,603,582
Intergovernmental revenue	463,352	363,293
Interest and investment earnings	126,118	82,898
Miscellaneous	51,372	41,399
Net gain on disposal of capital assets	<u>68,426</u>	<u>7,700</u>
Total general revenues and net gain on disposal of capital assets	<u>6,413,015</u>	<u>6,598,257</u>
Total revenues	<u>7,532,031</u>	<u>7,724,168</u>
Program expenses:		
General government	1,327,388	1,247,143
Public safety	3,051,964	2,699,102
Highways and streets	1,645,150	1,445,829
Sanitation	264,914	244,873
Health and welfare	66,033	59,896
Culture and recreation	368,104	335,023
Conservation	3,912	
Interest and fiscal charges	<u>109,090</u>	<u>108,356</u>
Total expenses	<u>6,836,555</u>	<u>6,140,222</u>
Change in net position	695,476	1,583,946
Net position - beginning of year	18,274,332	16,852,151
Restatement		(161,765)
Net position - ending of year	<u>\$ 18,969,808</u>	<u>\$ 18,274,332</u>

As shown in the above statement the Town experienced an improvement in financial position of \$695,476 on the full accrual basis of accounting.

TOWN OF PEMBROKE, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2019

Business-type Activities

The table below provides a summary of the Town's net position of its business-type activities as of December 31, 2019 compared with 2018.

	<u>2019</u>	<u>2018</u>
Current and Other Assets:		
Capital assets	\$ 5,024,451	\$ 5,198,387
Other assets	<u>2,663,078</u>	<u>2,314,150</u>
Total Assets	<u>7,687,529</u>	<u>7,512,537</u>
Deferred Outflows of Resources	<u>8,856</u>	<u>14,733</u>
Long-term and Other Liabilities:		
Long-term obligations	771,306	795,812
Other liabilities	<u>190,958</u>	<u>271,608</u>
Total Liabilities	<u>962,264</u>	<u>1,067,420</u>
Deferred Inflows of Resources	<u>5,451</u>	<u>3,066</u>
Net Position:		
Net investment in capital assets	4,259,237	4,780,375
Unrestricted	<u>2,469,433</u>	<u>1,676,409</u>
Total Net Position	<u>\$ 6,728,670</u>	<u>\$ 6,456,784</u>

The largest portion of the Town's net position for its business-type activities reflects its investment in capital assets, primarily utility plant in service and equipment less any related outstanding debt used to acquire those assets. These assets are not available for future spending.

Changes in net position for the business-type activities for the year ending December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Program revenues:		
Charges for services	\$ 2,098,496	\$ 1,958,121
Capital grants and contributions	<u>-</u>	<u>69,951</u>
Total program revenues	<u>2,098,496</u>	<u>2,028,072</u>
General revenues:		
Interest and investment earnings	10,957	704
Total general revenues	<u>10,957</u>	<u>704</u>
Total revenues	<u>2,109,453</u>	<u>2,028,776</u>
Program expenses:		
Water distribution and treatment	815,877	730,611
Sanitation	<u>1,021,690</u>	<u>896,954</u>
Total expenses	<u>1,837,567</u>	<u>1,627,565</u>
Change in net position	271,886	401,211
Net position - beginning of year	<u>6,456,784</u>	<u>6,055,573</u>
Net position - ending of year	<u>\$ 6,728,670</u>	<u>\$ 6,456,784</u>

TOWN OF PEMBROKE, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2019

The main funding source for business-type activities is the charges for services. Net position increased by \$271,886 in 2019 due to revenues exceeding expenses in the water and sewer funds.

Financial Analysis of the Town's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

General Fund

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the General Fund had a total fund balance of \$9,593,167. The fund balance components at year end are detailed on page 37 of the Notes to the Basic Financial Statements.

The General Fund balance increased by \$1,633,848 from December 31, 2018. This increase is the result of \$1,661,814 transferred from the TIF District Fund as the Soucook River Tax Increment Financing District was authorized to be discontinued at the March 2018 annual Town meeting.

Ambulance Fund

The Ambulance Fund accounts for the financial transactions related to the Town's ambulance and emergency medical services. The Town of Pembroke has an intermunicipal contract with the Town of Allenstown to provide ambulance services to the two communities. The fund balance as of December 31, 2019 is \$610,317, which is a decrease of \$192,066 from the prior year end. During the year ended December 31, 2019, the ambulance required significant repairs which cost approximately \$120,000.

Other Governmental Funds

The total fund balance of \$559,257 in the other governmental funds is designated for the purposes of the individually established funds. The Road Capital Projects Fund and the TIF District Fund, previously classified as major funds, are reported as nonmajor governmental funds during 2019. There was a decrease of \$1,830,759 in the nonmajor governmental funds during the year ended December 31, 2019. As indicated previously, the majority of this is the result of \$1,661,814 transferred out of the TIF District Fund to the General Fund. See the supplemental schedules on pages 49-54.

Proprietary Funds

The focus of the Town's proprietary funds is on total economic resources, and changes to net position, much as it might be for a private-sector business.

TOWN OF PEMBROKE, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2019

The Town's proprietary funds had unrestricted net position of \$2,469,433 at December 31, 2019, which is an increase of \$793,024 (or 47.30%) from December 31, 2018. The net investment in capital assets decreased by \$521,138 (or 10.90%) from December 31, 2018.

Capital Assets and Long-Term Obligations

Capital Assets

The Town considers a capital asset to be an asset whose costs exceeds \$10,000 and has a useful life of greater than one year. Assets are depreciated using the straight-line method over the course of their useful life.

The Town's investment in capital assets for its governmental activities and business-type activities as of December 31, 2019 amounts to \$16,906,100 and \$5,024,451, respectively. This investment in capital assets includes infrastructure, buildings and improvements, vehicles and equipment. See Note 3 in the Notes to the Basic Financial Statements for a summary of all capital assets.

Long-Term Obligations

No new bonds or note obligations were issued during the year ended December 31, 2019. Debt service payments were made in accordance with the scheduled payments. The balance of the bonds payable in the governmental activities and the notes payable in the business-type activities decreased by \$659,583 and \$133,146, respectively during 2019.

During the year ended December 31, 2019, the Town's assessment on a property was not upheld, and a refund is due to a commercial taxpayer. The outstanding balance of this refund at December 31, 2019 is \$296,577 and is payable through July 1, 2022.

Additional long-term obligations at year end include other post-employment benefits and the Town's proportionate share of the net pension liability. See Notes 4, 5, 6 and 7 in the Notes to the Basic Financial Statements for a summary of all outstanding long-term obligations.

General Fund Budgetary Highlights

Budgetary information for the General Fund (a major governmental fund) is included in the Required Supplementary Information section.

The original and final budgeted amounts remained unchanged during the year ended December 31, 2019.

Actual revenues and transfers in on the budgetary basis exceeded the budgeted amount by \$2,238,148 or 30.51%. The majority of this favorable budgetary variance is the recognized transfer in of \$1,661,814 from the TIF District Fund, which was not included in the estimated revenues.

The Town underexpended its budget by \$429,093 or 5.44% of the total appropriations. Demonstrating fiscal restraint, Town officials were able to manage the Town's business under budget.

TOWN OF PEMBROKE, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2019

Economic Conditions

The Town of Pembroke is a small bedroom community which abuts the communities of Concord, Allenstown, Epsom and Chichester. A large number of residents still exist from the days of the woven and textile mills, while most others commute to the City for employment. Pembroke is also the home of Associated Grocers of New England, which is the largest taxpayer employing well over 300 people from all of the surrounding areas. In 2017, the Town after a successful vote of the residents, finalized upgrading the infrastructure in their Tax Increment Financing District with the hope to increase its tax base by attracting more commercial business to help maintain and stabilize the tax rate. The property is actively being marketed by the owner of the property.

Each year the Town updates and reviews its Capital Improvement program. By updating and monitoring future capital expenditures, the Town has been able to stabilize the tax rate and at the same time complete some large scale road projects. Throughout the year, the Town is always looking at ways to streamline operations to be more efficient with an eye towards savings.

The Town's goal in 2021 is to start applying excess fund balance to fund items such as the Capital Reserve deposits and infrastructure upgrades and repairs to coincide with the Town's Capital Improvement plan.

Contacting the Town of Pembroke's Financial Management

This financial report is to provide our citizens and creditors with a general overview of the Town's finances and to show a measure of accountability for the money it receives. If you have any questions about this report or need to get additional information, contact the Board of Selectmen at, 311 Pembroke Street, Pembroke, NH 03275, telephone number 603-485-4747.

EXHIBIT A
TOWN OF PEMBROKE, NEW HAMPSHIRE
Statement of Net Position
December 31, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 9,226,168	\$ 817,420	\$ 10,043,588
Investments	2,040,328	790,308	2,830,636
Taxes receivable, net	348,415		348,415
Accounts receivable, net	185,735	496,337	682,072
Due from other governments	1,922		1,922
Prepaid expenses	72,325		72,325
Inventory		33,746	33,746
Internal balance	(525,267)	525,267	-
Total Current Assets	<u>11,349,626</u>	<u>2,663,078</u>	<u>14,012,704</u>
Noncurrent Assets:			
Non-depreciable capital assets	5,836,124	31,935	5,868,059
Depreciable capital assets, net	11,069,976	4,992,516	16,062,492
Total Noncurrent Assets	<u>16,906,100</u>	<u>5,024,451</u>	<u>21,930,551</u>
Total Assets	<u>28,255,726</u>	<u>7,687,529</u>	<u>35,943,255</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to OPEB liability	16,575	379	16,954
Deferred outflows of resources related to net pension liability	371,053	8,477	379,530
Total Deferred Outflows of Resources	<u>387,628</u>	<u>8,856</u>	<u>396,484</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	1,457	40,620	42,077
Retainage payable	115,415		115,415
Accrued expenses	284,225	11,694	295,919
Due to other governments	2,679		2,679
Current portion of bonds payable	600,000		600,000
Current portion of notes payable		138,644	138,644
Current portion of other long-term obligation	118,631		118,631
Current portion of estimated liability for landfill post-closure care costs	7,000		7,000
Total Current Liabilities	<u>1,129,407</u>	<u>190,958</u>	<u>1,320,365</u>
Noncurrent Liabilities:			
Bonds payable	3,369,605		3,369,605
Notes payable		626,570	626,570
Other long-term obligation	177,946		177,946
Compensated absences payable	42,665		42,665
Estimated liability for landfill post-closure care costs	154,000		154,000
OPEB liability	949,846	62,222	1,012,068
Net pension liability	3,611,472	82,514	3,693,986
Total Noncurrent Liabilities	<u>8,305,534</u>	<u>771,306</u>	<u>9,076,840</u>
Total Liabilities	<u>9,434,941</u>	<u>962,264</u>	<u>10,397,205</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to OPEB liability	4,125	94	4,219
Deferred inflows of resources related to net pension liability	234,480	5,357	239,837
Total Deferred Inflows of Resources	<u>238,605</u>	<u>5,451</u>	<u>244,056</u>
NET POSITION			
Net investment in capital assets	13,127,826	4,259,237	17,387,063
Restricted	116,778		116,778
Unrestricted	5,725,204	2,469,433	8,194,637
Total Net Position	<u>\$ 18,969,808</u>	<u>\$ 6,728,670</u>	<u>\$ 25,698,478</u>

See accompanying notes to the basic financial statements

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

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-type Activities
Governmental Activities:						
General government	\$ 1,327,388	\$ 66,541	\$ 123,528	\$ 63,824	\$ (1,197,023)	\$ (1,197,023)
Public safety	3,051,964	524,290			(2,404,146)	(2,404,146)
Highways and streets	1,645,150	5,997	170,301		(1,468,852)	(1,468,852)
Sanitation	264,914	99,039			(165,875)	(165,875)
Health and welfare	66,033				(66,033)	(66,033)
Culture and recreation	368,104	65,496			(302,608)	(302,608)
Conservation	3,912				(3,912)	(3,912)
Interest and fiscal charges	109,090				(109,090)	(109,090)
Total governmental activities	6,836,555	761,363	293,829	63,824	(5,717,539)	(5,717,539)
Business-type activities:						
Water Department	815,877	873,619			57,742	57,742
Sewer Department	1,021,690	1,224,877			203,187	203,187
Total business-type activities	1,837,567	2,098,496			260,929	260,929
Total primary government	\$ 8,674,122	\$ 2,859,859	\$ 293,829	\$ 63,824	(5,717,539)	(5,456,610)
General revenues:						
Property and other taxes					4,023,504	4,023,504
Licenses and permits					1,680,243	1,680,243
Grants and contributions:						
Rooms and meals tax distribution					361,054	361,054
Municipal aid					102,298	102,298
Interest and investment earnings					126,118	137,075
Miscellaneous					51,372	51,372
Net gain on disposal of capital assets					68,426	68,426
Total general revenues and net gain on disposal of capital assets					6,413,015	6,423,972
Change in net position					271,886	967,362
Net Position at beginning of year, as restated					18,274,332	24,731,116
Net Position at end of year					\$ 18,969,808	\$ 25,698,478

See accompanying notes to the basic financial statements

EXHIBIT C
TOWN OF PEMBROKE, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2019

	General Fund	Ambulance Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 8,462,316	\$ 371,842	\$ 392,010	\$ 9,226,168
Investments	1,992,095		48,233	2,040,328
Taxes receivable, net	348,415			348,415
Accounts receivable, net	31,531	151,691	2,513	185,735
Due from other governments	1,922			1,922
Due from other funds		122,561	231,916	354,477
Prepaid expenses	72,325			72,325
Total Assets	<u>10,908,604</u>	<u>646,094</u>	<u>674,672</u>	<u>12,229,370</u>
DEFERRED OUTFLOWS OF RESOURCES				
Total Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 10,908,604</u>	<u>\$ 646,094</u>	<u>\$ 674,672</u>	<u>\$ 12,229,370</u>
LIABILITIES				
Accounts payable		\$ 1,457		\$ 1,457
Retainage payable			\$ 115,415	115,415
Accrued expenses	\$ 184,067	34,320		218,387
Due to other governments	2,679			2,679
Due to other funds	879,744			879,744
Total Liabilities	<u>1,066,490</u>	<u>35,777</u>	<u>115,415</u>	<u>1,217,682</u>
DEFERRED INFLOWS OF RESOURCES				
Uncollected property taxes	248,947			248,947
Total Deferred Inflows of Resources	<u>248,947</u>	<u>-</u>	<u>-</u>	<u>248,947</u>
FUND BALANCES				
Nonspendable	72,325		49,645	121,970
Restricted	9,733		364,146	373,879
Committed	1,894,374	610,317	138,387	2,643,078
Assigned	166,416		7,079	173,495
Unassigned	7,450,319			7,450,319
Total Fund Balances	<u>9,593,167</u>	<u>610,317</u>	<u>559,257</u>	<u>10,762,741</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 10,908,604</u>	<u>\$ 646,094</u>	<u>\$ 674,672</u>	<u>\$ 12,229,370</u>

See accompanying notes to the basic financial statements

EXHIBIT C-1
TOWN OF PEMBROKE, NEW HAMPSHIRE
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2019

Total Fund Balances - Governmental Funds (Exhibit C)	\$ 10,762,741
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	16,906,100
Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis	248,947
Deferred outflows of resources and deferred inflows of resources that do not require or provide the use of current financial resources are not reported within the funds.	
Deferred outflows of resources related to OPEB liability	16,575
Deferred outflows of resources related to net pension liability	371,053
Deferred inflows of resources related to OPEB liability	(4,125)
Deferred inflows of resources related to net pension liability	(234,480)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year end consist of:	
Bonds payable	(3,969,605)
Other long-term obligation	(296,577)
Accrued interest on long-term obligations	(65,838)
Compensated absences payable	(42,665)
Estimated liability for landfill post-closure care costs	(161,000)
OPEB liability	(949,846)
Net pension liability	<u>(3,611,472)</u>
Net Position of Governmental Activities (Exhibit A)	<u>\$ 18,969,808</u>

See accompanying notes to the basic financial statements

EXHIBIT D

TOWN OF PEMBROKE, NEW HAMPSHIRE

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2019

	General Fund	Ambulance Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 4,338,515		\$ 15,480	\$ 4,353,995
Licenses and permits	1,680,243			1,680,243
Intergovernmental	633,653	\$ 118,189	5,339	757,181
Charges for services	212,744	461,997	86,622	761,363
Interest and investment income	94,626	3,277	28,215	126,118
Miscellaneous	180,836	5,424	1,980	188,240
Total Revenues	<u>7,140,617</u>	<u>588,887</u>	<u>137,636</u>	<u>7,867,140</u>
Expenditures:				
Current operations:				
General government	1,221,806			1,221,806
Public safety	1,862,704	928,775	27,886	2,819,365
Highways and streets	1,150,345			1,150,345
Sanitation	271,914			271,914
Health and welfare	65,057		700	65,757
Culture and recreation	286,970		75,563	362,533
Conservation	2,999		913	3,912
Capital outlay	1,379,516		201,519	1,581,035
Debt service:				
Principal retirement	600,000			600,000
Interest and fiscal charges	179,450			179,450
Total Expenditures	<u>7,020,761</u>	<u>928,775</u>	<u>306,581</u>	<u>8,256,117</u>
Excess of revenues over (under) expenditures	<u>119,856</u>	<u>(339,888)</u>	<u>(168,945)</u>	<u>(388,977)</u>
Other financing sources (uses):				
Transfers in	1,661,814	147,822		1,809,636
Transfers out	(147,822)		(1,661,814)	(1,809,636)
Total Other financing sources (uses)	<u>1,513,992</u>	<u>147,822</u>	<u>(1,661,814)</u>	<u>-</u>
Net change in fund balances	1,633,848	(192,066)	(1,830,759)	(388,977)
Fund Balances at beginning of year, as restated	<u>7,959,319</u>	<u>802,383</u>	<u>2,390,016</u>	<u>11,151,718</u>
Fund Balances at end of year	<u>\$ 9,593,167</u>	<u>\$ 610,317</u>	<u>\$ 559,257</u>	<u>\$ 10,762,741</u>

See accompanying notes to the basic financial statements

EXHIBIT D-1
TOWN OF PEMBROKE, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2019

Net Change in Fund Balances--Total Governmental Funds	\$ (388,977)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	984,969
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the net gain of disposed capital assets reduced by the actual proceeds received from the disposal.	(68,442)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These revenue sources are from property taxes.	(57,890)
Repayment of principal on long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Repayments in the current year are as follows: Bond principal paid	600,000
Governmental funds report the effect of bond issuance premiums when debt is first issued, whereas these amounts are amortized in the statement of activities over the life of the related debt. The current year activity is as follows: Amortization of bond issuance premium	59,583
Revenues in the governmental fund financial statements represent current financial resources, whereas the resources to fund the other long term obligation on the statement of net position will be from future tax levies.	(296,577)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	10,777
Certain items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. These items are from the following activities: Compensated absences payable Estimated liability for landfill post-closure care costs	(2,459) 7,000
Governmental funds report OPEB and pension contributions as expenditures. However, in the statement of activities, OPEB and pension expense reflects the change in the OPEB liability and net pension liability and related deferred outflows and inflows of resources, and does not require the use of current financial resources. This is the amount by which OPEB and pension expense differed from OPEB and pension contributions in the current period. Net changes in OPEB Net changes in pension	(18,234) (134,274)
Change in Net Position of Governmental Activities (Exhibit B)	<u>\$ 695,476</u>

See accompanying notes to the basic financial statements

EXHIBIT E
TOWN OF PEMBROKE, NEW HAMPSHIRE
Statement of Net Position
Proprietary Funds
December 31, 2019

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 517,962	\$ 299,458	\$ 817,420
Investments	30,617	759,691	790,308
Accounts receivable, net	191,716	304,621	496,337
Due from other funds		525,267	525,267
Inventory	33,746		33,746
Total Current Assets	<u>774,041</u>	<u>1,889,037</u>	<u>2,663,078</u>
Noncurrent Assets:			
Non-depreciable capital assets	31,935		31,935
Depreciable capital assets, net	<u>3,215,247</u>	<u>1,777,269</u>	<u>4,992,516</u>
Total Noncurrent Assets	<u>3,247,182</u>	<u>1,777,269</u>	<u>5,024,451</u>
Total Assets	<u>4,021,223</u>	<u>3,666,306</u>	<u>7,687,529</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to OPEB liability		379	379
Deferred outflows of resources related to net pension liability		<u>8,477</u>	<u>8,477</u>
Total Deferred Outflows of Resources	<u>-</u>	<u>8,856</u>	<u>8,856</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	33,642	6,978	40,620
Accrued expenses	6,593	5,101	11,694
Current portion of notes payable	<u>88,416</u>	<u>50,228</u>	<u>138,644</u>
Total Current Liabilities	<u>128,651</u>	<u>62,307</u>	<u>190,958</u>
Noncurrent Liabilities:			
Notes payable	245,693	380,877	626,570
OPEB liability	31,446	30,776	62,222
Net pension liability		<u>82,514</u>	<u>82,514</u>
Total Noncurrent Liabilities	<u>277,139</u>	<u>494,167</u>	<u>771,306</u>
Total Liabilities	<u>405,790</u>	<u>556,474</u>	<u>962,264</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to OPEB liability		94	94
Deferred inflows of resources related to net pension liability		<u>5,357</u>	<u>5,357</u>
Total Deferred Inflows of Resources	<u>-</u>	<u>5,451</u>	<u>5,451</u>
NET POSITION			
Net investment in capital assets	2,913,073	1,346,164	4,259,237
Unrestricted	<u>702,360</u>	<u>1,767,073</u>	<u>2,469,433</u>
Total Net Position	<u>\$ 3,615,433</u>	<u>\$ 3,113,237</u>	<u>\$ 6,728,670</u>

See accompanying notes to the basic financial statements

EXHIBIT F
TOWN OF PEMBROKE, NEW HAMPSHIRE
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2019

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
Operating revenues:			
Charges for services	\$ 862,344	\$ 1,207,099	\$ 2,069,443
Miscellaneous revenues	11,275	17,778	29,053
Total operating revenues	<u>873,619</u>	<u>1,224,877</u>	<u>2,098,496</u>
Operating expenses:			
Personnel services	346,621	119,363	465,984
Contractual services	70,156	623,757	693,913
Materials and supplies	95,761	3,679	99,440
Maintenance and repairs	14,749	59,867	74,616
Utilities	88,405	23,738	112,143
Depreciation	150,084	159,273	309,357
Miscellaneous expenses	35,890	23,282	59,172
Total operating expenses	<u>801,666</u>	<u>1,012,959</u>	<u>1,814,625</u>
Operating income	<u>71,953</u>	<u>211,918</u>	<u>283,871</u>
Non-operating revenues (expenses):			
Interest revenue	1,060	9,897	10,957
Interest expense	(14,211)	(8,731)	(22,942)
Net Non-operating revenues (expenses)	<u>(13,151)</u>	<u>1,166</u>	<u>(11,985)</u>
Change in net position	58,802	213,084	271,886
Net Position at beginning of year	<u>3,556,631</u>	<u>2,900,153</u>	<u>6,456,784</u>
Net Position at end of year	<u>\$ 3,615,433</u>	<u>\$ 3,113,237</u>	<u>\$ 6,728,670</u>

See accompanying notes to the basic financial statements

EXHIBIT G
TOWN OF PEMBROKE, NEW HAMPSHIRE
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2019

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 855,633	\$ 1,236,333	\$ 2,091,966
Cash paid to suppliers	(357,373)	(767,676)	(1,125,049)
Cash paid to employees	(259,649)	(83,864)	(343,513)
Net cash provided by operating activities	<u>238,611</u>	<u>384,793</u>	<u>623,404</u>
Cash flows from capital and related financing activities:			
Purchases of capital assets	(135,421)		(135,421)
Principal paid on long-term debt	(83,903)	(49,243)	(133,146)
Interest paid on long-term debt	(14,211)	(9,608)	(23,819)
Net cash used for capital and related financing activities	<u>(233,535)</u>	<u>(58,851)</u>	<u>(292,386)</u>
Cash flows from investing activities:			
Purchase of investments	(198)	(759,691)	(759,889)
Interest on investments	1,060	9,897	10,957
Net cash provided (used) by investing activities	<u>862</u>	<u>(749,794)</u>	<u>(748,932)</u>
Net increase (decrease) in cash and cash equivalents	5,938	(423,852)	(417,914)
Cash and cash equivalents at beginning of year	512,024	1,248,577	1,760,601
Cash and cash equivalents at end of year	<u>\$ 517,962</u>	<u>\$ 824,725</u>	<u>\$ 1,342,687</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 71,953	\$ 211,918	\$ 283,871
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	150,084	159,273	309,357
Change in deferred outflows of resources related to OPEB liability		1,428	1,428
Change in deferred outflows of resources related to net pension liability		4,449	4,449
Change in deferred inflows of resources related to OPEB liability		52	52
Change in deferred inflows of resources related to net pension liability		2,333	2,333
Changes in assets and liabilities:			
Accounts receivable, net	(17,986)	11,456	(6,530)
Inventory	(423)		(423)
Accounts payable	29,009	3,648	32,657
Accrued expenses	(609)		(609)
OPEB liability	6,583	(5,827)	756
Net pension liability		(3,937)	(3,937)
Net cash provided by operating activities	<u>\$ 238,611</u>	<u>\$ 384,793</u>	<u>\$ 623,404</u>
Cash and cash equivalents at end of year consists of the following:			
Cash and cash equivalents	\$ 517,962	\$ 299,458	\$ 817,420
Due from other funds		525,267	525,267
Total cash and cash equivalents	<u>\$ 517,962</u>	<u>\$ 824,725</u>	<u>\$ 1,342,687</u>

See accompanying notes to the basic financial statements

EXHIBIT H
TOWN OF PEMBROKE, NEW HAMPSHIRE
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2019

	Custodial Funds
ASSETS	
Cash and cash equivalents	\$ 4,124,546
Investments	1,892,017
Taxes receivable	<u>341,244</u>
Total Assets	<u>6,357,807</u>
LIABILITIES	
Due to other governments	<u>4,376,147</u>
Total Liabilities	<u>4,376,147</u>
NET POSITION	
Restricted for:	
Individuals and other governments	<u>1,981,660</u>
Total Net Position	<u>\$ 1,981,660</u>

See accompanying notes to the basic financial statements

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

	<u>Custodial Funds</u>
ADDITIONS:	
Investment Earnings:	
Interest income	\$ 36,549
Realized gains (losses) on investments	(8,518)
Net increase in the fair value of investments	<u>148,172</u>
Total Investment Earnings	<u>176,203</u>
 Property tax collections for other governments	 13,534,311
Motor vehicle fee collections for other governments	475,958
Miscellaneous	<u>126,930</u>
Total Additions	<u>14,313,402</u>
 DEDUCTIONS:	
Beneficiary payments to other governments	66,454
Beneficiary payments to others	14,180
Payments of property tax to other governments	13,534,311
Payments of motor vehicle fees to other governments	<u>475,958</u>
Total Deductions	<u>14,090,903</u>
 Change in net position	 222,499
 Net Position at beginning of year, as restated	 <u>1,759,161</u>
Net Position at end of year	<u><u>\$ 1,981,660</u></u>

See accompanying notes to the basic financial statements

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Pembroke, New Hampshire conform to accounting policies generally accepted in the United States of America for local governmental units, except as indicated hereinafter. The following is a summary of significant accounting policies.

Financial Reporting Entity

The Town of Pembroke, New Hampshire (the Town) was incorporated in 1759. The Town operates under the Town Meeting/Board of Selectmen form of government and performs local governmental functions authorized by State law.

The financial statements include those of the various departments governed by the Board of Selectmen and other officials with financial responsibility. The Town has no other separate organizational units, which meet criteria for inclusion in the financial statements as defined by the Governmental Accounting Standards Board (GASB).

Basis of Presentation

The Town's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements:

The statement of net position and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental and business-type activities of the Town at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Town. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Town.

2. Fund Financial Statements:

During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019

focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

Fund Accounting

The Town uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Town employs the use of three categories of funds: governmental, proprietary and fiduciary.

1. Governmental Funds:

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources, and liabilities and deferred inflows of resources, is reported as fund balance. The following are the Town's major governmental funds:

The *General Fund* is the main operating fund of the Town and is used to account for all financial resources except those required to be accounted for in another fund.

The *Ambulance Fund* accounts for the financial resources related to the Town's ambulance and emergency medical services.

2. Proprietary Funds:

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The Town has no internal service funds. The following are the Town's major proprietary funds:

The *Water* and *Sewer Funds* account for all revenues and expenses pertaining to the Town's water and wastewater operations, respectively. The Water and Sewer Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation) of providing goods or services to the residents on a continuing basis are financed or recovered primarily through user charges.

3. Fiduciary Funds:

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is comprised solely of custodial funds. Custodial funds are used to account for amounts collected by the Town and remitted to other individuals or governments. These amounts are therefore not available to support the Town's own programs.

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019

Measurement Focus

1. Government-Wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the Town are included on the Statement of Net Position.

2. Fund Financial Statements:

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the proprietary fund type is accounted for on a flow of economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the Town finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue and in the presentation of expenses versus expenditures.

1. Revenues – Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Town, available means expected to be received within sixty days of year end.

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied (see Note 12). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019

satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes, charges for services and interest on investments.

Licenses and permits and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

Grants and entitlements received before the eligibility requirements are met are recorded as advances from grantors. On governmental fund financial statements, taxes receivable that will not be collected within the available period have been reported as deferred inflows of resources.

2. Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization are not recognized in governmental funds.

Budgetary Data

The Town's budget represents functional appropriations as authorized by annual or special Town meetings. The Selectmen may transfer funds between operating categories as they deem necessary. The Town adopts its budget under State regulations, which differ somewhat from accounting principles generally accepted in the United States of America in that the focus is on the entire governmental unit rather than on the basis of fund types.

State law requires balanced budgets but permits the use of beginning fund balance to reduce the property tax rate. For the year ended December 31, 2019, the Town applied \$540,000 of its unassigned fund balance to reduce taxes.

Investments

Investments are stated at their fair value in all funds. Certificates of deposit and repurchase agreements with a maturity of greater than ninety days from the date of issuance are included in investments.

Taxes Receivable

Taxes levied during the current year and prior and uncollected at December 31, 2019 are recorded as receivables net of reserves for estimated uncollectible taxes of \$39,171.

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019

Accounts Receivable

Accounts receivable are recorded net of reserves for estimated uncollectibles of \$663,751 in the Ambulance Fund and \$21,429 in the Sewer Fund.

Inventory

On government-wide and proprietary fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net position but are not reported in the governmental fund financial statements. In the government-wide financial statements, capital assets are reported in the applicable governmental or business-type activities column.

All capital assets including infrastructure and intangible assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The Town maintains a capitalization threshold of \$10,000. The Town's infrastructure consists of roads, water purification and distribution system, sewer collection and treatment system, and similar items. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

The Town is not required to retroactively report its general infrastructure (e.g. roads, bridges and sidewalks) or its intangible assets (e.g. easements). Infrastructure records have been maintained effective January 1, 2004 and are included in these financial statements.

All reported capital assets except for land, easements with an indefinite life, and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the Town's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Years</u>
Intangible assets	10
Infrastructure	5-67
Buildings and improvements	10-40
Vehicles and equipment	5-40

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019

Compensated Absences

Full-time employees accrue sick leave days at a rate of four hours for each calendar month of service. Regular part-time employees accrue sick leave at a pro-rated rate based on the number of hours of employment. Both full and part-time employees may accrue sick leave cumulative to a maximum of 96 hours. Upon reaching the maximum accumulation of 96 hours, the employee shall be paid for 48 hours of the accumulated sick leave and shall have 48 hours of accumulated sick leave remaining. Upon voluntary termination or retirement, an employee will be compensated for a maximum of 40 unused sick leave hours at the current rate of pay. No payment for unused sick leave is made upon involuntary termination. Town employees earn vacation at 80-200 hours per year dependent on length of service. Vacation can only be accrued up to 80 hours. A provision has been made in the financial statements for accrued/unused vacation.

For governmental fund financial statements, compensated absences are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee death or retirement. The entire compensated absence liability is reported on the government-wide financial statements.

Bond Premium

Bond premiums are amortized as a component of interest expense over the life of the related bond using the effective interest rate method. Bonds payable are reported in the accompanying financial statements gross of any applicable unamortized bond premium.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they are due for payment during the current year. General obligation bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Hampshire Retirement System (NHRS) OPEB Plan and additions to/deductions from NHRS's fiduciary net position have been determined on the same basis as they are reported by NHRS. For this purpose, NHRS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for non-registered commingled funds valued at net asset value (NAV) as a practical expedient to estimate fair value.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Hampshire Retirement System (NHRS) and additions to/deductions from NHRS's fiduciary net

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019

position have been determined on the same basis as they are reported by NHRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

The Town's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Balance Policy

The Town has segregated fund balance into five classifications: Nonspendable, Restricted, Committed, Assigned, and Unassigned. The components of fund balance are defined as follows:

- *Nonspendable Fund Balance*: Amounts that are not in a spendable form (such as inventory or prepaid expenses) or are required to be maintained intact (such as principal of an endowment fund).
- *Restricted Fund Balance*: Amounts that can only be spent for specific purposes, such as grant, library, income balance of permanent funds, and capital project funds that cannot change purpose. Restrictions may be changed or lifted only upon the consent of the external resource provider or enabling legislation.
- *Committed Fund Balance*: Amounts that can only be used for specific purposes pursuant to a formal vote at Town Meetings; such as expendable trust funds, non-lapsing appropriations, and other special revenue funds not listed under restricted and can change purpose via a vote at Town Meeting.
- *Assigned Fund Balance*: Amounts intended by the Board for specific purposes. For all governmental funds other than the General Fund, any remaining positive amounts are to be classified as "assigned." Items that fall under this classification for the General Fund would be encumbrances properly approved by contract, purchase order, or other such actions as required.
- *Unassigned Fund Balance*: Amounts that are not obligated or specifically designated and is available for any purpose. The residual classification of any General Fund balance is to be reported here. Any deficit balance of another fund is also classified as unassigned.

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019

Spending Prioritization

In instances where expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first.

When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts and then unassigned amounts.

Minimum Level of Unassigned Fund Balance

The Board will strive to maintain an unassigned fund balance in its General Fund equal to the guidelines established by the NH Government Finance Officers Association (NHGFOA) which are as follows:

- Retention of 8% to 17% of regular General Fund operating revenues or no less than 2 months of General Fund operating expenditures. This is calculated by adding the municipality's General Fund operating appropriations, the state education tax amount, the local school net tax commitment, and the county appropriation.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the water fund and sewer fund, these revenues are charges to customers for sales and services. Operating expenses, which include depreciation on capital assets, are necessary costs incurred to provide the service that is the primary activity of the proprietary fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 2—DEPOSITS AND INVESTMENTS

Deposits and investments as of December 31, 2019 are classified in the accompanying financial statements as follows:

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019

Statement of Net Position:	
Cash and cash equivalents	\$ 10,043,588
Investments	2,830,636
Statement of Fiduciary Net Position:	
Cash and cash equivalents	4,124,546
Investments	1,892,017
Total deposits and investments	<u>\$ 18,890,787</u>

Deposits and investments as of December 31, 2019 consist of the following:

Cash on hand	\$ 97,694
Deposits with financial institutions	14,101,057
Investments	4,692,036
Total deposits and investments	<u>\$ 18,890,787</u>

The Town limits its investments to United States Treasury securities maturing in less than one year, fully insured or collateralized certificates of deposits in either local or national banks and overnight repurchase agreements in accordance with New Hampshire State law (RSA 41:29) or the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool. Responsibility for the investments of the Trust Funds is with the Board of Trustees.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The Town's policy for its governmental and proprietary funds addresses credit risk by limiting investments to the safest types of securities and diversifying the investment portfolio. The Trustees of Trust Funds investment policy addresses credit risk by limiting investments on the un-expendable portion of trust funds in high grade equity investments, common stock, and mutual funds. The following is the actual rating at year end for each investment type:

Investment Type	Fair Value	Rating as of Year End	
		AAAm	Not rated
State investment pool	\$ 759,691	\$ 759,691	
Open end mutual funds	110,244		\$ 110,244
Closed end mutual funds	8,635		8,635
Money market mutual funds	2,902,686		2,902,686
	<u>\$ 3,781,256</u>	<u>\$ 759,691</u>	<u>\$ 3,021,565</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019

The Town's policy for its governmental and proprietary funds addresses custodial credit risk by stating that all deposits are to be fully collateralized. The investment policy of the Trustees of Trust Funds specifies that short-term funds and capital reserve funds are to be invested in money market or regular savings accounts when collateralization is not an issue.

Of the Town's deposits at year end, \$13,474,548 was collateralized by securities held by the bank in the bank's name.

As of December 31, 2019, Town investments in the following investment types were held by the same counterparty that was used to buy the securities:

<u>Investment Type</u>	<u>Amount</u>
Equity securities	\$ 910,780
Closed end mutual funds	8,635
	<u>\$ 919,415</u>

Investment in NHPDIP

The Town is a voluntary participant in the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool. The NHPDIP is not registered with the United States Securities and Exchange Commission as an investment company. The NHPDIP was created by state law and is administered by a public body of state, local and banking officials. Financial statements for the NHPDIP can be accessed through the NHPDIP's website at www.NHPDIP.com.

The Town's exposure to derivatives is indirect through its participation in the NHPDIP. The Town's proportional share of these derivatives is not available. The fair value of the position in the investment pool is equal to the value of the pool shares.

Fair Value Measurement of Investments

The Town categorizes the fair value measurements of its investments within the fair value hierarchy established by accounting principles generally accepted in the United States. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows (in order of priority):

- Level 1 Inputs - Inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the Town has the ability to access at the measurement date.
- Level 2 Inputs - Inputs other than quoted prices that are observable for assets or liabilities either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 Inputs - Significant unobservable inputs.

As of December 31, 2019, the Town's investments measured at fair value, by type, were as follows:

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019

<u>Investment Type</u>	<u>Totals</u>	Fair Value Measurements Using:		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
		<u>inputs</u>	<u>inputs</u>	<u>inputs</u>
Equity securities	\$ 910,780	\$ 910,780		
Closed end mutual funds	8,635	8,635		
	<u>\$ 919,415</u>	<u>\$ 919,415</u>	<u>\$ -</u>	<u>\$ -</u>

Equity securities and closed end mutual funds classified as Level 1 are valued using unadjusted quoted prices in active markets for those securities. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

NOTE 3—CAPITAL ASSETS

The following is a summary of changes in capital assets in the Town's governmental activities:

	(as restated) Balance <u>01/01/19</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/19</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 2,519,428	\$ 267,800	\$ (46,304)	\$ 2,740,924
Easements	608,579			608,579
Construction in progress	1,202,518	1,284,103		2,486,621
Total capital assets not being depreciated	<u>4,330,525</u>	<u>1,551,903</u>	<u>(46,304)</u>	<u>5,836,124</u>
Other capital assets:				
Intangible assets	60,960			60,960
Infrastructure	9,409,967			9,409,967
Buildings and improvements	3,928,493			3,928,493
Vehicles and equipment	6,562,559		(27,673)	6,534,886
Total other capital assets at historical cost	<u>19,961,979</u>	<u>-</u>	<u>(27,673)</u>	<u>19,934,306</u>
Less accumulated depreciation for:				
Intangible assets	(36,576)	(6,096)		(42,672)
Infrastructure	(1,228,561)	(235,250)		(1,463,811)
Buildings and improvements	(3,020,000)	(48,210)		(3,068,210)
Vehicles and equipment	(4,017,794)	(277,378)	5,535	(4,289,637)
Total accumulated depreciation	<u>(8,302,931)</u>	<u>(566,934)</u>	<u>5,535</u>	<u>(8,864,330)</u>
Total other capital assets, net	<u>11,659,048</u>	<u>(566,934)</u>	<u>(22,138)</u>	<u>11,069,976</u>
Total capital assets, net	<u>\$ 15,989,573</u>	<u>\$ 984,969</u>	<u>\$ (68,442)</u>	<u>\$ 16,906,100</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 46,587
Public safety	132,800
Highways and streets	386,332
Culture and recreation	1,215
Total governmental activities depreciation expense	<u>\$ 566,934</u>

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019

The following is a summary of changes in capital assets in the Town's business-type activities:

	Balance 01/01/19	Additions	Reductions	Balance 12/31/19
Business-type activities:				
Capital assets not depreciated:				
Land	\$ 31,935			\$ 31,935
Total capital assets not being depreciated	31,935	\$ -	\$ -	31,935
Other capital assets:				
Intangible assets	41,900			41,900
Building and improvements	1,067,454			1,067,454
Water infrastructure	2,865,468	110,749		2,976,217
Sewer infrastructure	3,450,524			3,450,524
Machinery, vehicles, and equipment	3,403,822	24,672		3,428,494
Other	29,865			29,865
Total other capital assets at historical cost	10,859,033	135,421	-	10,994,454
Less accumulated depreciation for:				
Intangible assets	(22,560)	(4,190)		(26,750)
Building and improvements	(204,778)	(34,140)		(238,918)
Water infrastructure	(1,066,042)	(64,596)		(1,130,638)
Sewer infrastructure	(2,412,872)	(115,018)		(2,527,890)
Machinery, vehicles, and equipment	(1,956,464)	(91,413)		(2,047,877)
Other	(29,865)			(29,865)
Total accumulated depreciation	(5,692,581)	(309,357)	-	(6,001,938)
Total other capital assets, net	5,166,452	(173,936)	-	4,992,516
Total capital assets, net	\$ 5,198,387	\$ (173,936)	\$ -	\$ 5,024,451

Depreciation expense was charged to the proprietary funds as follows:

Water Fund	\$ 150,084
Sewer Fund	159,273
Total business-type activities depreciation expense	\$ 309,357

NOTE 4—LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

The changes in the Town's long-term obligations for the year ended December 31, 2019 are as follows:

	Balance 01/01/19	Additions	Reductions	Balance 12/31/19	Due Within One Year
<i>Governmental activities:</i>					
Bonds payable	\$ 4,200,000		\$ (600,000)	\$ 3,600,000	\$ 600,000
Unamortized bond premium	429,188		(59,583)	369,605	
Total Bonds payable	4,629,188	\$ -	(659,583)	3,969,605	600,000
Other long-term obligation		355,892	(59,315)	296,577	118,631
Compensated absences payable	40,206	7,733	(5,274)	42,665	-
Total governmental activities	\$ 4,669,394	\$ 363,625	\$ (724,172)	\$ 4,308,847	\$ 718,631

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019

	Balance 01/01/19	Additions	Reductions	Balance 12/31/19	Due Within One Year
<i>Business-type activities:</i>					
Notes payable	\$ 898,360		\$ (133,146)	\$ 765,214	\$ 138,644
Total business-type activities	<u>\$ 898,360</u>	<u>\$ -</u>	<u>\$ (133,146)</u>	<u>\$ 765,214</u>	<u>\$ 138,644</u>

Payments on the general obligation bonds and other long-term obligation of the governmental activities are paid out of the General Fund. Payments on the notes payable of the business-type activities are paid out of the Water Fund and Sewer Fund. Compensated absences payable will be paid from the fund where the employee's salary is paid.

Governmental Activities

Bonds payable

Bonds payable at December 31, 2019 are comprised of the following individual issues:

\$2,560,000, 2003 Safety complex and refunding, due in annual installments of \$100,000 through July 2023; interest at 3.25-4.6%	\$ 400,000
\$3,001,000, 2017 Tax increment financing bonds, due in an annual installment of \$201,000 in August 2018 and annual installments of \$200,000 thereafter until August 2032; interest at 4.10-5.10%	2,600,000
\$900,000, 2018 Roadway Improvement bonds, due in annual installments of \$300,000 through May 2021; interest at 2.45%	600,000
	<u>3,600,000</u>
Add: Unamortized bond premium	369,605
	<u>\$ 3,969,605</u>

Debt service requirements to retire general obligation bonds outstanding for governmental activities at December 31, 2019 are as follows:

Year Ending December 31,	Principal	Interest	Totals
2020	\$ 600,000	\$ 157,450	\$ 757,450
2021	600,000	135,400	735,400
2022	300,000	113,350	413,350
2023	300,000	98,600	398,600
2024	200,000	83,800	283,800
2025-2029	1,000,000	266,000	1,266,000
2030-2032	600,000	49,200	649,200
Total	<u>3,600,000</u>	<u>903,800</u>	<u>4,503,800</u>
Add: Unamortized bond premium	369,605		369,605
	<u>\$ 3,969,605</u>	<u>\$ 903,800</u>	<u>\$ 4,873,405</u>

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019

Other Long-Term Obligation

During the year ended December 31, 2019, the Town's assessment on a property was not upheld, and it was determined that a refund is due to a commercial taxpayer for the tax levies of 2014 and 2016. The refund may be paid in cash or as a credit to future property tax billings. In accordance with the settlement, the Town is to refund the taxpayer a total of \$355,892 in six semi-annual installments, without interest, through July 1, 2022. The first installment was paid prior to December 31, 2019. Annual requirements for future payments are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2020	\$ 118,631	\$ -	\$ 118,631
2021	118,631	-	118,631
2022	59,315	-	59,315
	<u>\$ 296,577</u>	<u>\$ -</u>	<u>\$ 296,577</u>

Business-type Activities

Notes payable

The notes payable at December 31, 2019 are comprised of the following individual issues:

\$450,000, 2011 Water line construction note, due in monthly installments of \$4,556, including interest at 4.00%, through April 2021	\$ 71,211
\$250,000, 2015 Water line construction note, due in monthly installments of \$2,449, including interest at 3.30%, through May 2025	145,640
\$216,000, 2009 Water Works promissory note, due in monthly installments of \$1,308, including interest at 4.00%, through February 28, 2019, and a balloon payment for the principal balance and accrued interest on March 31, 2019. During March 2019, the promissory note was amended to extend the maturity date to March 31, 2029, increase the interest rate to 4.10%, and change the monthly installment to \$1,271, including interest	117,258
\$799,022, 2018 Sewer note, due in annual installments of \$58,850, including interest at 2.00%, through 2027	431,105
	<u>\$ 765,214</u>

Debt service requirements to retire the notes payable for business-type activities at December 31, 2019 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2020	\$ 138,644	\$ 19,517	\$ 158,161
2021	106,499	15,524	122,023
2022	90,460	13,029	103,489
2023	92,880	10,608	103,488
2024	95,372	8,117	103,489
2025-2029	241,359	12,368	253,727
	<u>\$ 765,214</u>	<u>\$ 79,163</u>	<u>\$ 844,377</u>

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019

Authorized and Unissued Debt

As of December 31, 2019, the Town had the following debt authorized and unissued:

<u>Description</u>	<u>Amount</u>
Loop Road construction	\$ 999,000
Roadway improvement and reconstruction	1,204,000
Bow Lane pumping station	978
Water line improvements	50,000
	<u>\$ 2,253,978</u>

NOTE 5—LANDFILL POST-CLOSURE CARE COSTS

State and federal laws and regulations require that the Town place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The Town's landfill was closed during 2012. An estimated liability has been recorded based on the future post-closure care costs that will be incurred. The estimated liability for landfill post-closure care costs has a balance of \$161,000 as of December 31, 2019. The estimated total current cost of the post-closure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor and maintain the landfill were acquired as of December 31, 2019. However, the actual cost of post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The following is a summary of changes in the estimated liability for post-closure care cost for the year ended December 31, 2019:

Balance - January 1, 2019	\$ 168,000
Change in estimated liability	2,836
Expenditures recognized in General Fund	(9,836)
Balance - December 31, 2019	<u>\$ 161,000</u>

NOTE 6—OTHER POST-EMPLOYMENT BENEFITS

Total OPEB Liabilities, Deferred Outflows of Resources, Deferred Inflows of Resources and OPEB Expense

	<u>Deferred Outflows</u>	<u>OPEB Liability</u>	<u>Deferred Inflows</u>	<u>OPEB Expense</u>
Cost-Sharing Multiple Employer Plan	\$ 16,954	\$ 320,307	\$ 4,219	\$ 23,703
Single Employer Plan - Town		660,315		64,714
Single Employer Plan - Water Fund		31,446		6,583
Total	<u>\$ 16,954</u>	<u>\$ 1,012,068</u>	<u>\$ 4,219</u>	<u>\$ 95,000</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to OPEB is reflected as an increase to unrestricted net position in the amount of \$12,735.

**TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019**

COST-SHARING MULTIPLE EMPLOYER PLAN

Plan Description

The New Hampshire Retirement System (NHRS) administers a cost-sharing multiple-employer other postemployment benefit plan (OPEB Plan). The OPEB Plan provides a medical insurance subsidy to qualified retired members.

The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for NHRS. That report may be obtained by writing to New Hampshire Retirement System at 54 Regional Drive, Concord, New Hampshire 03301 or from their website at www.nhrs.org.

The OPEB Plan is divided into four membership types. The four membership types are Group II Police Officer and Firefighters, Group I Teachers, Group I Political Subdivision Employees, and Group I State Employees. The OPEB plan is closed to new entrants.

Benefits Provided

Benefit amounts and eligibility requirements for the OPEB Plan are set by state law (RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b), and members are designated in statute by type. The medical insurance subsidy is a payment made by NHRS to the former employer or its insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certified dependent children with a disability who are living in the household and being cared for by the retiree. If the health insurance premium amount is less than the medical subsidy amount, then only the health insurance premium amount will be paid. If the health insurance premium amount exceeds the medical subsidy amount, then the retiree or other qualified person is responsible for paying any portion that the employer does not pay.

Group I benefits are based on creditable service, age and retirement date. Group II benefits are based on hire date, age and creditable service. Medical subsidy rates established by RSA 100-A:52 II are dependent upon whether retirees are eligible for Medicare. Retirees not eligible for Medicare may receive a maximum medical subsidy of \$375.56 for a single person plan and \$751.12 for a two-person plan. Retirees eligible for Medicare may receive a maximum medical subsidy of \$236.84 for a single person plan and \$473.68 for a two-person plan.

Funding Policy

Per RSA-100:16, contribution rates are established and may be amended by the New Hampshire State legislature and are determined by the NHRS Board of Trustees based on an actuarial valuation. The Town's contribution rates for the covered payroll of public safety employees and general employees were 4.10% and 0.30%, respectively, through June 30, 2019, and 3.66% and 0.29%, respectively, thereafter. Contributions to the OPEB plan for the Town were \$33,383 for the year ended December 31, 2019. Employees are not required to contribute to the OPEB plan.

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2019, the Town reported a liability of \$320,307 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by a roll forward of the actuarial valuation from June 30, 2018. The Town's proportion of the net OPEB liability was based on actual contributions by the Town during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2019, the Town's proportion was approximately 0.0731 percent, which was a decrease of 0.0068 percentage points from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Town recognized OPEB expense of \$23,703. At December 31, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$ 557
Net difference between projected and actual investment earnings on OPEB plan investments		360
Changes in proportion and differences between Town contributions and proportionate share of contributions		3,302
Town contributions subsequent to the measurement date	\$ 16,954	
Totals	<u>\$ 16,954</u>	<u>\$ 4,219</u>

The Town reported \$16,954 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net OPEB liability in the measurement period ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense for the measurement periods as follows:

<u>June 30,</u>	
2020	\$ (4,098)
2021	(239)
2022	25
2023	93
	<u>\$ (4,219)</u>

Actuarial Assumptions

The total OPEB liability was determined by a roll forward of the actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019

Inflation	2.50%
Wage inflation	3.25% (3.00% for Teachers)
Salary increases	5.60%, average, including inflation
Investment rate of return	7.25%, per year, net of OPEB plan investment expense, including inflation for determining solvency contributions

Mortality rates were based on the RP-2014 healthy annuitant and employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using scale MP-2015, based on the last experience study.

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

The long-term expected rate of return on OPEB Plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and geometric real rates of return for each asset class:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Domestic equity	30%	4.25-4.50%
Fixed income	25%	1.12-2.46%
International equity	20%	4.50-6.00%
Alternative investments	15%	4.86-7.90%
Real estate	10%	3.00%
Total	<u>100%</u>	

The discount rate used to measure the collective total OPEB liability as of June 30, 2019 was 7.25%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made under the current statutes RSA 100-A:16 and RSA 100-A:53. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

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

The following presents the Town's proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the Town's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net OPEB liability	\$ 347,421	\$ 320,307	\$ 296,746

SINGLE EMPLOYER PLAN

Plan Description

The Town of Pembroke, New Hampshire administers the retiree health care benefits program, a single employer defined benefits plan that is used to provide postemployment benefits other than pensions (OPEB) for all permanent full-time employees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The Town provides medical benefits to its eligible retirees and their covered spouses. General employees hired prior to July 1, 2011 are eligible to retire at age 60 regardless of years of creditable service, age 50 with at least 10 years of creditable service, or at any age if they have at least 20 years of creditable service and the sum of their age and years of service is at least 70. General employees hired on or after July 1, 2011 are eligible to retire at age 65 regardless of years of creditable service, or age 60 with at least 30 years of creditable service. Public safety employees hired prior to July 1, 2011 are eligible to retire at age 45 with at least 20 years of Group II creditable service, or at age 60 regardless of their years of creditable service. Public safety employees hired on or after July 1, 2011 are eligible to retire at age 50 with 25 years of Group II creditable service or at age 60 regardless of years of creditable service. Retirees and their covered spouses are required to pay 100% of the cost of the premium. The valuation does not account for the cost of benefits to retirees or their spouses after age 65. Surviving spouses continue to receive coverage after the death of the eligible retired employee but are required to pay 100% of the premium.

The Water Fund provides medical benefits to its retirees and their dependents. There is no retirement eligibility requirement for employees of the Water Fund thereby all full-time employees and their spouses are considered eligible for benefits. Retirees and their covered spouses are required to pay 100% of the cost of the premium. The valuation does not account for the cost of benefits to retirees or their spouses after age 65. Spousal coverage continues upon death of the retiree, provided that they pay the full premium cost.

Employees Covered By Benefit Terms

At December 31, 2019, the following employees were covered by the benefit terms:

	<u>Town</u>	<u>Water Fund</u>
Inactive employees or beneficiaries currently receiving benefits	3	
Active employees	35	5
	<u>38</u>	<u>5</u>

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019

Total OPEB Liability

The Town's total OPEB liability of \$660,315 was measured as of December 31, 2019 and was determined by a rollforward of the actuarial valuation as of January 1, 2019 on a "no loss / no gain" basis.

The total OPEB liability of the Water Fund of \$31,446 was measured as of December 31, 2019 by a rollforward of the actuarial valuation as of January 1, 2019 on a "no loss / no gain" basis.

Actuarial Assumptions and Other Inputs for OPEB

The total OPEB liability in the December 31, 2019 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation rate	2.50%
Payroll growth rate	3.25%
Discount rate	3.26%
Healthcare cost trend rates	7.50% for 2019, decreasing 0.50% per year to an ultimate trend rate of 4.50%, reached in 2026

The discount rate was based on the *S&P Municipal Bond 20-year High Grade Rate Index* based on the 20 year AA municipal bond rate as of December 31, 2019. Mortality rates were based on the SOA RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018.

Changes in the Total OPEB Liability

	Town Total OPEB <u>Liability</u>	Water Fund Total OPEB <u>Liability</u>
Balance at December 31, 2018	\$ 636,747	\$ 24,863
Changes for the year:		
Service cost	20,491	2,210
Interest	26,175	1,113
Changes of assumptions	39,456	3,416
Differences between expected and actual experience	(21,408)	(156)
Benefit payments	(41,146)	
Net changes	<u>23,568</u>	<u>6,583</u>
Balance at December 31, 2019	<u>\$ 660,315</u>	<u>\$ 31,446</u>

Changes of assumptions reflect a decrease in the discount rate from 4.11% at December 31, 2018 to 3.26% at December 31, 2019 in the actuarial valuations for both the Town and Water Fund.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Town and Water Fund, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019

	1% Decrease (2.26%)	Current Discount Rate (3.26%)	1% Increase (4.26%)
Town Total OPEB liability	\$ 711,510	\$ 660,315	\$ 614,258
Water Fund Total OPEB liability	\$ 36,111	\$ 31,446	\$ 27,475

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the Town and Water Fund, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.50 percent decreasing to 3.50 percent) or 1-percentage-point higher (8.50 percent decreasing to 5.50 percent) than the current healthcare cost trend rate:

	1% Decrease (6.50% decreasing to 3.50%)	Healthcare Cost Trend Rates (7.50% decreasing to 4.50%)	1% Increase (8.50% decreasing to 5.50%)
Town Total OPEB liability	\$ 602,948	\$ 660,315	\$ 726,752
Water Fund Total OPEB liability	\$ 26,297	\$ 31,446	\$ 38,012

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2019, the Town and Water Fund recognized OPEB expense of \$64,714 and \$6,583, respectively. At December 31, 2019, both the Town and Water Fund reported no deferred outflows of resources or deferred inflows of resources related to OPEB. Under the Alternative Measurement Method, all deferred outflows of resources and deferred inflows of resources are fully recognized in the current year.

NOTE 7—DEFINED BENEFIT PENSION PLAN

Plan Description

The Town contributes to the New Hampshire Retirement System (NHRS), a public employee retirement system that administers a cost-sharing multiple-employer defined benefit pension plan. The plan provides service, disability, death and vested retirement allowances to plan members and beneficiaries. Benefit provisions are established and may be amended by the New Hampshire State legislature.

The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for NHRS. That report may be obtained by writing to New Hampshire Retirement System, 54 Regional Drive, Concord, New Hampshire 03301, or from their website at www.nhrs.org.

Substantially all full-time state and local employees, public school teachers, permanent firefighters and permanent police officers within the State are eligible and required to participate in the Pension Plan.

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019

The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II.

Benefits Provided

Benefit formulas and eligibility requirements for the pension plan are set by State law (RSA 100-A).

Group I benefits are provided based on creditable service and average final salary for the highest of either three or five years, depending on when service commenced.

Group II benefits are provided based on age, years of creditable service and a benefit multiplier depending on vesting status as of January 1, 2012. The maximum retirement allowance for Group II members vested by January 1, 2012 (45 years of age with 20 years of service or age 60 regardless of years of creditable service) is the average final compensation multiplied by 2.5% multiplied by creditable service. For Group II members not vested by January 1, 2012 the benefit is calculated the same way but the multiplier used in the calculation will change depending on age and years of creditable service as follows:

<u>Years of Creditable Service as of January 1, 2012</u>	<u>Minimum Age</u>	<u>Minimum Service</u>	<u>Benefit Multiplier</u>
At least 8 but less than 10 years	46	21	2.4%
At least 6 but less than 8 years	47	22	2.3%
At least 4 but less than 6 years	48	23	2.2%
Less than 4 years	49	24	2.1%

Funding Policy

Covered police officers and firefighters are required to contribute 11.55% and 11.80%, respectively, of their covered salary, whereas general employees are required to contribute 7.0% of their covered salary. The Town is required to contribute at an actuarially determined rate. The Town's contribution rates for the covered payroll of police officers, firefighters, and general employees were 25.33%, 27.79%, and 11.08%, respectively, through June 30, 2019, and 24.77%, 26.43%, and 10.88%, respectively, thereafter. The Town contributed 100% of the employer cost for public safety and general employees of the Town.

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The Town's contributions to the NHRS for the year ending December 31, 2019 were \$343,584.

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

At December 31, 2019, the Town reported a liability of \$3,693,986 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by a roll forward of the actuarial valuation from June 30, 2018. The Town's proportion of the net pension liability was based on actual contributions by the Town during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019

employers or NHRS. At June 30, 2019, the Town's proportion was approximately 0.0768 percent, which was a decrease of .0034 percentage points from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Town recognized pension expense of \$480,702. At December 31, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 20,425	\$ 79,431
Net difference between projected and actual earnings on pension plan investments		30,175
Changes of assumptions	132,539	
Changes in proportion and differences between Town contributions and share of contributions	49,226	130,231
Town contributions subsequent to the measurement date	<u>177,340</u>	<u> </u>
Totals	<u>\$ 379,530</u>	<u>\$ 239,837</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to pension is reflected as an increase to unrestricted net position in the amount of \$139,693. The Town reported \$177,340 as deferred outflows of resources related to pension resulting from Town contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the measurement period ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense in the measurement periods as follows:

<u>June 30,</u>	
2020	\$ 105,675
2021	(84,344)
2022	(41,398)
2023	<u>(17,580)</u>
	<u>\$ (37,647)</u>

Actuarial Assumptions

The total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2018, using the following actuarial assumptions:

Inflation	2.50%
Wage inflation	3.25% (3.00% for Teachers)
Salary increases	5.60%, average, including inflation
Investment rate of return	7.25%, net of pension plan investment expense, including inflation

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019

Mortality rates were based on the RP-2014 employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

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

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and geometric real rates of return for each asset class:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Domestic equity	30%	4.25-4.50%
Fixed income	25%	1.12-2.46%
International equity	20%	4.50-6.00%
Alternative investments	15%	4.86-7.90%
Real estate	10%	3.00%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the collective pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer contributions are projected based on the expected payroll of current members only. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the collective pension liability.

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, 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 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Town's proportionate share of the net pension liability	\$ 4,946,399	\$ 3,693,986	\$ 2,658,876

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019

NOTE 8—INTERFUND BALANCES AND TRANSFERS

The Town has combined the cash resources of its governmental fund types. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance. The Expendable Trust Funds (reported within the General Fund) consist of temporarily invested funds applicable to other funds within the Town. Interfund balances at December 31, 2019 are as follows:

		Due from General Fund
Due to	Ambulance Fund	\$ 122,561
	Nonmajor Governmental Funds	231,916
	Sewer Fund	525,267
		<u>\$ 879,744</u>

During the year, several interfund transactions occurred between funds. The transfer from the General Fund to the Ambulance Fund was included in annual appropriations. The TIF District Fund (a Nonmajor Governmental Fund) transferred \$1,661,814 to the General Fund as the Soucook River Tax Increment Financing District was authorized to be discontinued at the March 2018 annual Town meeting.

Interfund transfers during the year ended December 31, 2019 were as follows:

		Transfer from		
		General Fund	Nonmajor Governmental Funds	Totals
Transfer to	General Fund		\$ 1,661,814	\$ 1,661,814
	Ambulance fund	\$ 147,822		147,822
		<u>\$ 147,822</u>	<u>\$ 1,661,814</u>	<u>\$ 1,809,636</u>

NOTE 9—RESTRICTED NET POSITION

Net position of the governmental activities is restricted for specific purposes at December 31, 2019 as follows:

Permanent Funds - Principal	\$ 49,645
Permanent Funds - Income	42,240
Road Capital Projects	5,371
Tax Increment Financing District	301,375
K-9 Donations	9,733
Christmas Donations Fund	2,707
Police Grants Fund	4,862
Grants Fund	<u>7,591</u>
	423,524
Less unexpended bond proceeds	<u>(306,746)</u>
	<u>\$ 116,778</u>

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019

NOTE 10—COMPONENTS OF FUND BALANCE

The components of the Town's fund balance for its governmental funds at December 31, 2019 are comprised as follows:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Ambulance Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Permanent Funds - Principal			\$ 49,645	\$ 49,645
Prepaid expenses	\$ 72,325			72,325
Restricted for:				
Permanent Funds - Income			42,240	42,240
K-9 Donations	9,733			9,733
Road Capital Projects			5,371	5,371
Tax Increment Financing District			301,375	301,375
Christmas Donations Fund			2,707	2,707
Police Grants Fund			4,862	4,862
Grants Fund			7,591	7,591
Committed for:				
Police Details Fund			30,661	30,661
Conservation Commission			107,726	107,726
Ambulance Fund		\$ 610,317		610,317
Expendable Trust Funds	1,464,374			1,464,374
Encumbrances	430,000			430,000
Assigned for:				
Recreation Fund			6,984	6,984
Town Clock Fund			95	95
Encumbrances	166,416			166,416
Unassigned:				
Unassigned - General operations	7,450,319			7,450,319
	<u>\$ 9,593,167</u>	<u>\$ 610,317</u>	<u>\$ 559,257</u>	<u>\$ 10,762,741</u>

NOTE 11—ENCUMBRANCES

The encumbrances of the General Fund as of December 31, 2019, by function, are as follows:

<u>Function</u>	<u>Committed</u>	<u>Assigned</u>	<u>Totals</u>
General government		\$ 9,100	\$ 9,100
Highways and streets		6,320	6,320
Capital outlay	\$ 430,000	150,996	580,996
	<u>\$ 430,000</u>	<u>\$ 166,416</u>	<u>\$ 596,416</u>

NOTE 12—PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$761,864,478 as of April 1, 2019) and are due in two installments on July 2, 2019 and December 3, 2019. Taxes paid after the due dates accrue interest at 8% per annum. Property taxes are

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019

recognized as revenue when received in cash or if available to finance current period operations (within sixty days of year-end).

Under State law, the Tax Collector obtains tax liens on properties which have unpaid taxes in the following calendar year after taxes were due for the amount of unpaid taxes, interest and costs. Priority tax liens obtained prior to April 1, 2019 accrue interest at 18% per annum. Priority tax liens obtained after April 1, 2019 accrue interest at 14% per annum. If the property is not redeemed within a two year redemption period, the property may be tax deeded to the Town.

In accordance with State law, the Town collects taxes for the Pembroke School District and Merrimack County, both independent governmental units, which are remitted to them as required by law. The Town also collects State of New Hampshire Education taxes, which are remitted directly to the school district. Total taxes appropriated during the year were \$11,626,147 and \$1,908,164 for the Pembroke School District and Merrimack County, respectively. These taxes are recognized in the financial statements within the fiduciary funds only. The Town bears responsibility for uncollected taxes.

NOTE 13—RISK MANAGEMENT

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2019, the Town was a member of and participated in a public entity risk pool (Trust) for property and liability insurance and worker's compensation coverage. Coverage has not been significantly reduced from the prior year and settled claims have not exceeded coverage in any of the past three years.

The Trust agreements permit the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trust foresees no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at December 31, 2019.

Property and Liability Insurance

The Trust provides certain property and liability insurance coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of the Trust, the Town shares in contributing to the cost of and receiving benefit from a self-insured pooled risk management program. The program includes a Self-Insured Retention Fund from which is paid up to \$200,000 for each and every covered property, crime and/or liability loss that exceeds \$1,000, up to an aggregate of \$1,200,000. Each property loss is subject to a \$1,000 deductible. All losses over the aggregate are covered by insurance policies.

Worker's Compensation

The Trust provides statutory worker's compensation coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. The Trust is self-sustaining through annual member premiums and provides coverage for the statutorily required workers' compensation benefits and

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019

employer's liability coverage up to \$2,000,000. The program includes a Loss Fund from which is paid up to \$500,000 for each and every covered claim.

NOTE 14—CONTINGENCIES

Litigation

There may be various claims and suits pending against the Town, which arise in the normal course of the Town's activities. In the opinion of Town management, any potential claims against the Town which are not covered by insurance are immaterial and would not affect the financial position of the Town.

NOTE 15— RESTATEMENT OF EQUITY

During the year ended December 31, 2019, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 84 – *Fiduciary Activities*. Additionally, it was determined that capital assets of the governmental activities were overstated at December 31, 2018. The impact on net position of the Governmental Activities and Fiduciary Funds as of January 1, 2019 is as follows:

	Governmental <u>Activities</u>	Fiduciary <u>Funds</u>
Net Position - January 1, 2019 (as previously reported)	\$ 18,436,097	\$ -
Amount of restatement due to:		
Overstatement of capital assets	(161,765)	
Implementation of GASB Statement No. 84		1,759,161
Net Position - January 1, 2019, as restated	<u>\$ 18,274,332</u>	<u>\$ 1,759,161</u>

The impact on fund balance of the General Fund as of January 1, 2019 is as follows:

Fund Balance - January 1, 2019 (as previously reported)	\$ 7,779,083
Amount of restatement due to:	
Implementation of GASB Statement No. 84	180,236
Fund Balance - January 1, 2019, as restated	<u>\$ 7,959,319</u>

NOTE 16—IMPLEMENTATION OF FUTURE ACCOUNTING STANDARDS

During May 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which is effective immediately. Under this pronouncement, the effective implementation dates of numerous accounting standards have been postponed by one year. The Town has adopted some provisions of GASB Statement No. 95.

In accordance with GASB Statement No. 95, the Town has postponed implementing GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*, until the year ending December 31, 2020. Management believes that this pronouncement will have a potentially significant impact on the Town's government-wide financial statements. Additional information on outstanding debt issuances will provide users with a better understanding of the effect on the Town's future resource flows.

SCHEDULE 1

TOWN OF PEMBROKE, NEW HAMPSHIRE

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual (Budgetary Basis) - General Fund

For the Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 4,000,619	\$ 4,000,619	\$ 4,280,625	\$ 280,006
Licenses and permits	1,464,210	1,464,210	1,680,243	216,033
Intergovernmental	658,408	658,408	633,653	(24,755)
Charges for services	136,030	136,030	212,744	76,714
Interest and investment income	50,000	50,000	94,443	44,443
Miscellaneous	30,900	30,900	175,628	144,728
Total Revenues	<u>6,340,167</u>	<u>6,340,167</u>	<u>7,077,336</u>	<u>737,169</u>
Expenditures:				
Current operations:				
General government	1,233,661	1,233,661	1,092,457	141,204
Public safety	1,988,435	1,988,435	1,825,152	163,283
Highways and streets	1,264,162	1,264,162	1,156,665	107,497
Sanitation	283,950	283,950	271,914	12,036
Health and welfare	112,365	112,365	65,057	47,308
Culture and recreation	38,626	38,626	34,673	3,953
Conservation	3,700	3,700	2,999	701
Economic development	355	355	-	355
Capital outlay	1,323,408	1,323,408	1,370,653	(47,245)
Debt service:				
Principal retirement	600,000	600,000	600,000	-
Interest and fiscal charges	179,451	179,451	179,450	1
Total Expenditures	<u>7,028,113</u>	<u>7,028,113</u>	<u>6,599,020</u>	<u>429,093</u>
Excess of revenues over (under) expenditures	<u>(687,946)</u>	<u>(687,946)</u>	<u>478,316</u>	<u>1,166,262</u>
Other financing sources (uses):				
Transfers in	996,198	996,198	2,497,177	1,500,979
Transfers out	(865,748)	(865,748)	(865,748)	-
Total Other financing sources (uses)	<u>130,450</u>	<u>130,450</u>	<u>1,631,429</u>	<u>1,500,979</u>
Net change in fund balance	<u>(557,496)</u>	<u>(557,496)</u>	<u>2,109,745</u>	<u>2,667,241</u>
Fund Balance at beginning of year				
- Budgetary Basis	<u>5,672,467</u>	<u>5,672,467</u>	<u>5,672,467</u>	<u>-</u>
Fund Balance at end of year				
- Budgetary Basis	<u>\$ 5,114,971</u>	<u>\$ 5,114,971</u>	<u>\$ 7,782,212</u>	<u>\$ 2,667,241</u>

See accompanying notes to the required supplementary information

SCHEDULE 2

TOWN OF PEMBROKE, NEW HAMPSHIRE

Schedule of Changes in the Town's Proportionate Share of the Net OPEB Liability

For the Year Ended December 31, 2019

<u>Measurement Period Ended</u>	<u>Town's Proportion of the Net OPEB Liability</u>	<u>Town's Proportionate Share of the Net OPEB Liability</u>	<u>Town's Covered Payroll</u>	<u>Town's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</u>
June 30, 2019	0.07306082%	\$ 320,307	\$ 2,093,974	15.30%	7.75%
June 30, 2018	0.07984541%	\$ 365,569	\$ 2,060,819	17.74%	7.53%
June 30, 2017	0.04858775%	\$ 222,160	\$ 2,006,861	11.07%	7.91%
June 30, 2016	0.04674035%	\$ 226,272	\$ 1,928,151	11.74%	5.21%

See accompanying notes to the required supplementary information

SCHEDULE 3
TOWN OF PEMBROKE, NEW HAMPSHIRE
Schedule of Town OPEB Contributions
For the Year Ended December 31, 2019

<u>Year Ended</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Town's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2019	\$ 33,383	\$ (33,383)	\$ -	\$ 2,154,135	1.55%
December 31, 2018	\$ 34,319	\$ (34,319)	\$ -	\$ 2,072,773	1.66%
December 31, 2017	\$ 32,464	\$ (32,464)	\$ -	\$ 2,029,574	1.60%
December 31, 2016	\$ 27,758	\$ (27,758)	\$ -	\$ 1,987,834	1.40%

See accompanying notes to the required supplementary information

SCHEDULE 4

TOWN OF PEMBROKE, NEW HAMPSHIRE

Schedule of Changes in the Town's Total OPEB Liability and Related Ratios

For the Year Ended December 31, 2019

	Town <u>2019</u>	Town <u>2018</u>
Total OPEB Liability:		
Service cost	\$ 20,491	\$ 38,401
Interest	26,175	31,669
Changes of assumptions or other inputs	39,456	(91,774)
Differences between expected and actual experience	(21,408)	(189,468)
Benefit payments	<u>(41,146)</u>	<u>(67,952)</u>
Net change in total OPEB liability	23,568	(279,124)
Total OPEB liability - beginning	636,747	915,871
Total OPEB liability - ending	<u>\$ 660,315</u>	<u>\$ 636,747</u>
Covered employee payroll	\$ 1,897,621	\$ 1,780,957
Total OPEB liability as a percentage of covered employee payroll	34.80%	35.75%

Significant Actuarial Assumptions

Discount rate	3.26%	4.11%
Health cost trend rates:		
Initial	7.50% - 2019	8.00% - 2018
Ultimate	4.50% - 2026	4.50% - 2026
Mortality table	MP-2018	MP-2018
Salary increase rate	3.25%	3.25%

See accompanying notes to the required supplementary information

SCHEDULE 5

TOWN OF PEMBROKE, NEW HAMPSHIRE

Schedule of Changes in the Town's Water Fund Total OPEB Liability and Related Ratios

For the Year Ended December 31, 2019

	Water Fund *	Water Fund *
	<u>2019</u>	<u>2018</u>
Total OPEB Liability:		
Service cost	\$ 2,210	\$ 2,361
Interest	1,113	910
Changes of assumptions or other inputs	3,416	(2,497)
Differences between expected and actual experience	(156)	
Net change in total OPEB liability	<u>6,583</u>	<u>774</u>
Total OPEB liability - beginning	<u>24,863</u>	<u>24,089</u>
Total OPEB liability - ending	<u>\$ 31,446</u>	<u>\$ 24,863</u>
Covered employee payroll	\$ 253,690	\$ 226,271
Total OPEB liability as a percentage of covered employee payroll	12.40%	10.99%

Significant Actuarial Assumptions

Discount rate	3.26%	4.11%
Health cost trend rates:		
Initial	7.50% - 2019	8.00% - 2018
Ultimate	4.50% - 2026	4.50% - 2026
Mortality table	MP-2018	MP-2018
Salary increase rate	3.25%	3.25%

* Note: Town's Water Fund received a separate actuarial valuation

See accompanying notes to the required supplementary information

SCHEDULE 6

TOWN OF PEMBROKE, NEW HAMPSHIRE

Schedule of Changes in the Town's Proportionate Share of the Net Pension Liability

For the Year Ended December 31, 2019

<u>Measurement Period Ended</u>	<u>Town's Proportion of the Net Pension Liability</u>	<u>Town's Proportionate Share of the Net Pension Liability</u>	<u>Town's Covered Payroll</u>	<u>Town's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2019	0.07677163%	\$ 3,693,986	\$ 2,093,974	176.41%	65.59%
June 30, 2018	0.08014665%	\$ 3,859,223	\$ 2,060,819	187.27%	64.73%
June 30, 2017	0.08010873%	\$ 3,939,742	\$ 2,006,861	196.31%	62.66%
June 30, 2016	0.07805092%	\$ 4,150,432	\$ 1,928,151	215.25%	58.30%
June 30, 2015	0.07890077%	\$ 3,125,675	\$ 1,883,624	165.94%	65.47%
June 30, 2014	0.07492695%	\$ 2,812,447	\$ 1,737,816	161.84%	66.32%
June 30, 2013	0.07225856%	\$ 3,109,853	\$ 1,626,500	191.20%	59.81%

See accompanying notes to the required supplementary information

SCHEDULE 7

TOWN OF PEMBROKE, NEW HAMPSHIRE**Schedule of Town Pension Contributions**

For the Year Ended December 31, 2019

<u>Year Ended</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Town's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2019	\$ 343,584	\$ (343,584)	\$ -	\$ 2,154,135	15.95%
December 31, 2018	\$ 335,956	\$ (335,956)	\$ -	\$ 2,072,773	16.21%
December 31, 2017	\$ 316,952	\$ (316,952)	\$ -	\$ 2,029,574	15.62%
December 31, 2016	\$ 288,064	\$ (288,064)	\$ -	\$ 1,987,834	14.49%
December 31, 2015	\$ 274,113	\$ (274,113)	\$ -	\$ 1,905,664	14.38%
December 31, 2014	\$ 252,319	\$ (252,319)	\$ -	\$ 1,812,810	13.92%
December 31, 2013	\$ 210,019	\$ (210,019)	\$ -	\$ 1,683,999	12.47%

See accompanying notes to the required supplementary information

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2019

NOTE 1—BUDGET TO ACTUAL RECONCILIATION

General Fund

Amounts recorded as budgetary amounts in the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund (Schedule 1) are reported on the basis budgeted by the Town. Those amounts differ from those reported in conformity with accounting principles generally accepted in the United States of America in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit D). Property tax budgetary revenues are recognized when levied rather than when susceptible to accrual. Budgetary expenditures were adjusted for encumbrances. Budgetary revenues and other financing sources and expenditures and other financing uses were adjusted for non-budgetary revenues and expenditures and budgetary transfers as follows:

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 8,802,431	\$ 7,168,583
Difference in property taxes meeting susceptible to accrual criteria	(57,890)	
Encumbrances - December 31, 2019		596,416
Encumbrances - December 31, 2018		(612,409)
Non-budgetary revenues and expenditures	(5,391)	(405,748)
Budgetary transfers	835,363	717,926
Per Schedule 1	<u>\$ 9,574,513</u>	<u>\$ 7,464,768</u>

Major Special Revenue Fund

Budgetary information in these financial statements had been presented only for the General fund as there is no adopted budget for the Ambulance Fund.

NOTE 2—BUDGETARY FUND BALANCE

The components of the budgetary fund balance for the General Fund at December 31, 2019 are as follows:

Nonspendable:	
Prepaid expenses	\$ 72,325
Restricted for:	
K-9 Donations	9,733
Unassigned:	
Unassigned - General operations	7,700,154
	<u>\$ 7,782,212</u>

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
For the Year Ended December 31, 2019

NOTE 3—SCHEDULE OF CHANGES IN THE TOWN'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AND SCHEDULE OF TOWN OPEB CONTRIBUTIONS

In accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the Town is required to disclose historical information for each of the prior ten years within a schedule of changes in the Town's proportionate share of the net OPEB liability and schedule of Town OPEB contributions. The Town implemented the provisions of GASB Statement No. 75 during the year ended December 31, 2018. Accordingly, the historic information has only been presented for those years which information was readily available. Additional disclosures will be made in future years as additional information becomes available.

NOTE 4—SCHEDULE OF CHANGES IN THE TOWN'S TOTAL OPEB LIABILITY AND RELATED RATIOS

In accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the Town is required to disclose historical information for each of the prior ten years within a schedule of changes in the Town's total OPEB liability and related ratios. The Town implemented the provisions of GASB Statement No. 75 during the year ended December 31, 2018. Accordingly, the historic information has only been presented for those years which information was readily available. Additional disclosures will be made in future years as additional information becomes available.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

NOTE 5—SCHEDULE OF CHANGES IN THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND SCHEDULE OF TOWN PENSION CONTRIBUTIONS

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the Town is required to disclose historical information for each of the prior ten years within a schedule of changes in the Town's proportionate share of the net pension liability and schedule of Town pension contributions. The Town implemented the provisions of GASB Statement No. 68 during the year ended December 31, 2015. Accordingly, the historic information has only been presented for those years which information was readily available. Additional disclosures will be made in future years as the information becomes available.

Change in Actuarial Assumptions

For the June 30, 2015 actuarial valuation, the New Hampshire Retirement System reduced its assumption for the investment rate of return from 7.75% to 7.25%, decreased the price inflation from 3.0% to 2.5%, decreased the wage inflation from 3.75% to 3.25%, and decreased the salary increases from 5.8% to 5.6%. Additionally, the mortality table was changed from the RP-2000 projected to 2020 with Scale AA to the RP-2014 employee generational mortality table for males and females, adjusted for mortality improvements using Scale MP-2015.

SCHEDULE A
TOWN OF PEMBROKE, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Funds
December 31, 2019

	Total Special Revenue Funds	Total Capital Projects Funds	Permanent Funds	Total Nonmajor Funds
ASSETS				
Cash and cash equivalents		\$ 348,358	\$ 43,652	\$ 392,010
Investments			48,233	48,233
Accounts receivable, net	\$ 2,513			2,513
Due from other funds	158,113	73,803		231,916
Total Assets	<u>160,626</u>	<u>422,161</u>	<u>91,885</u>	<u>674,672</u>
DEFERRED OUTFLOWS OF RESOURCES				
Total Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 160,626</u>	<u>\$ 422,161</u>	<u>\$ 91,885</u>	<u>\$ 674,672</u>
LIABILITIES				
Retainage payable		\$ 115,415		\$ 115,415
Total Liabilities	<u>\$ -</u>	<u>115,415</u>	<u>\$ -</u>	<u>115,415</u>
DEFERRED INFLOWS OF RESOURCES				
Total Deferred Inflows of Resources	-	-	-	-
FUND BALANCES				
Nonspendable			49,645	49,645
Restricted	15,160	306,746	42,240	364,146
Committed	138,387			138,387
Assigned	7,079			7,079
Total Fund Balances	<u>160,626</u>	<u>306,746</u>	<u>91,885</u>	<u>559,257</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 160,626</u>	<u>\$ 422,161</u>	<u>\$ 91,885</u>	<u>\$ 674,672</u>

SCHEDULE A-1
TOWN OF PEMBROKE, NEW HAMPSHIRE
 Combining Balance Sheet
 Governmental Funds - All Nonmajor Special Revenue Funds
 December 31, 2019

	Recreation Fund	Police Details Fund	Christmas Donations Fund	Town Clock Fund	Police Grants Fund	Conservation Commission Fund	Grants Fund	Total Special Revenue Funds
ASSETS								
Accounts receivable, net	\$ 6,984	\$ 2,513	\$ 2,707	\$ 95	\$ 4,862	\$ 107,726	\$ 7,591	\$ 2,513
Due from other funds	6,984	28,148	2,707	95	4,862	107,726	7,591	158,113
Total Assets		30,661						160,626
DEFERRED OUTFLOWS OF RESOURCES								
Total Deferred Outflows of Resources	-	-	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 6,984	\$ 30,661	\$ 2,707	\$ 95	\$ 4,862	\$ 107,726	\$ 7,591	\$ 160,626
LIABILITIES								
Total Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES								
Total Deferred Inflows of Resources	-	-	-	-	-	-	-	-
FUND BALANCES								
Restricted			2,707		4,862	107,726	7,591	15,160
Committed		30,661						138,387
Assigned	6,984			95				7,079
Total Fund Balances	6,984	30,661	2,707	95	4,862	107,726	7,591	160,626
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 6,984	\$ 30,661	\$ 2,707	\$ 95	\$ 4,862	\$ 107,726	\$ 7,591	\$ 160,626

SCHEDULE A-2
TOWN OF PEMBROKE, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Capital Projects Funds
December 31, 2019

	Road Capital Projects Fund	TIF District Fund	Total Capital Projects Funds
ASSETS			
Cash and cash equivalents	\$ 46,983	\$ 301,375	\$ 348,358
Due from other funds	73,803		73,803
Total Assets	<u>120,786</u>	<u>301,375</u>	<u>422,161</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 120,786</u>	<u>\$ 301,375</u>	<u>\$ 422,161</u>
LIABILITIES			
Retainage payable	\$ 115,415		\$ 115,415
Total Liabilities	<u>115,415</u>	<u>\$ -</u>	<u>115,415</u>
DEFERRED INFLOWS OF RESOURCES			
Total Deferred Inflows of Resources	-	-	-
FUND BALANCES			
Restricted	<u>5,371</u>	<u>301,375</u>	<u>306,746</u>
Total Fund Balances	<u>5,371</u>	<u>301,375</u>	<u>306,746</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 120,786</u>	<u>\$ 301,375</u>	<u>\$ 422,161</u>

SCHEDULE B
TOWN OF PEMBROKE, NEW HAMPSHIRE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - All Nonmajor Funds
For the Year Ended December 31, 2019

	Total Special Revenue Funds	Total Capital Projects Funds	Permanent Funds	Total Nonmajor Funds
Revenues:				
Taxes	\$ 15,480			\$ 15,480
Intergovernmental revenue	5,339			5,339
Charges for services	86,622			86,622
Interest and investment income		\$ 14,204	\$ 14,011	28,215
Miscellaneous	1,980			1,980
Total Revenues	<u>109,421</u>	<u>14,204</u>	<u>14,011</u>	<u>137,636</u>
Expenditures:				
Current operations:				
Public safety	27,886			27,886
Health and welfare	700			700
Culture and recreation	75,563			75,563
Conservation	913			913
Capital outlay	180,000	21,519		201,519
Total Expenditures	<u>285,062</u>	<u>21,519</u>	<u>-</u>	<u>306,581</u>
Excess of revenues over (under) expenditures	<u>(175,641)</u>	<u>(7,315)</u>	<u>14,011</u>	<u>(168,945)</u>
Other financing sources (uses):				
Transfers out		(1,661,814)	-	(1,661,814)
Total Other financing sources (uses)	<u>-</u>	<u>(1,661,814)</u>	<u>-</u>	<u>(1,661,814)</u>
Net change in fund balances	(175,641)	(1,669,129)	14,011	(1,830,759)
Fund Balances at beginning of year	<u>336,267</u>	<u>1,975,875</u>	<u>77,874</u>	<u>2,390,016</u>
Fund Balances at end of year	<u>\$ 160,626</u>	<u>\$ 306,746</u>	<u>\$ 91,885</u>	<u>\$ 559,257</u>

SCHEDULE B -1

TOWN OF PEMBROKE, NEW HAMPSHIRE

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds - All Nonmajor Special Revenue Funds

For the Year Ended December 31, 2019

	Recreation Fund	Police Details Fund	Christmas Donations Fund	Town Clock Fund	Police Grants Fund	Conservation Commission Fund	Grants Fund	Total Special Revenue Funds
Revenues:								
Taxes		\$ 5,339				\$ 15,480		\$ 15,480
Intergovernmental revenue								5,339
Charges for services	\$ 64,309	22,313						86,622
Miscellaneous			\$ 1,980					1,980
Total Revenues	<u>64,309</u>	<u>27,652</u>	<u>1,980</u>	<u>\$ -</u>	<u>\$ -</u>	<u>15,480</u>	<u>\$ -</u>	<u>109,421</u>
Expenditures:								
Current operations:								
Public safety		27,549			337			27,886
Health and welfare			700					700
Culture and recreation	75,563					913		75,563
Conservation						180,000		180,000
Capital outlay	<u>75,563</u>	<u>27,549</u>	<u>700</u>	<u>-</u>	<u>337</u>	<u>180,913</u>	<u>-</u>	<u>285,062</u>
Total Expenditures	<u>(11,254)</u>	<u>103</u>	<u>1,280</u>	<u>-</u>	<u>(337)</u>	<u>(165,433)</u>	<u>-</u>	<u>(175,641)</u>
Net change in fund balances								
	18,238	30,558	1,427	95	5,199	273,159	7,591	336,267
Fund Balances at beginning of year								
Fund Balances at end of year	<u>\$ 6,984</u>	<u>\$ 30,661</u>	<u>\$ 2,707</u>	<u>\$ 95</u>	<u>\$ 4,862</u>	<u>\$ 107,726</u>	<u>\$ 7,591</u>	<u>\$ 160,626</u>

SCHEDULE B-2

TOWN OF PEMBROKE, NEW HAMPSHIRE

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds - All Nonmajor Capital Projects Funds

For the Year Ended December 31, 2019

	Road Capital Projects Fund	TIF District Fund	Total Capital Projects Funds
Revenues:			
Interest and investment income	\$ 1,461	\$ 12,743	\$ 14,204
Total Revenues	<u>1,461</u>	<u>12,743</u>	<u>14,204</u>
Expenditures:			
Capital outlay	<u>21,519</u>		<u>21,519</u>
Total Expenditures	<u>21,519</u>	<u>-</u>	<u>21,519</u>
Excess of revenues over (under) expenditures	<u>(20,058)</u>	<u>12,743</u>	<u>(7,315)</u>
Other financing sources (uses):			
Transfers out		<u>(1,661,814)</u>	<u>(1,661,814)</u>
Total Other financing sources (uses)	<u>-</u>	<u>(1,661,814)</u>	<u>(1,661,814)</u>
Net change in fund balances	(20,058)	(1,649,071)	(1,669,129)
Fund Balances at beginning of year	<u>25,429</u>	<u>1,950,446</u>	<u>1,975,875</u>
Fund Balances at end of year	<u>\$ 5,371</u>	<u>\$ 301,375</u>	<u>\$ 306,746</u>