

TOWN OF PEMBROKE, NEW HAMPSHIRE

Financial Statements

December 31, 2014

and

Independent Auditor's Report

TOWN OF PEMBROKE, NEW HAMPSHIRE
FINANCIAL STATEMENTS
December 31, 2014

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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 as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, 2014, 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

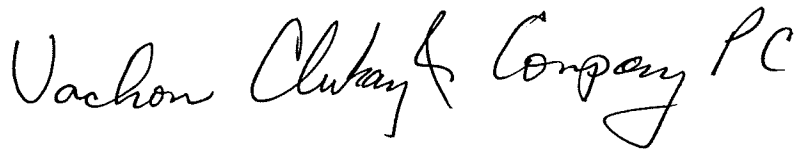
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the schedule of funding progress for other post-employment benefits on pages i-vii and 29-31 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 fund and fiduciary fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund and fiduciary 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 fund and fiduciary fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Manchester, New Hampshire
September 25, 2015

TOWN OF PEMBROKE, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2014

Presented herewith please find the Management Discussion & Analysis Report for the Town of Pembroke for the year ending December 31, 2014. 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.

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 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 year. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

TOWN OF PEMBROKE, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2014

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

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, which is considered a major fund. Other governmental funds are aggregated as nonmajor funds.

The Town adopts an annual 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 town government. 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 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, 2014

Government-Wide Financial Analysis

Governmental Activities

Statement of Net Position

Net position of the Town of Pembroke's governmental activities as of December 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Current and Other Assets:		
Capital assets	\$ 10,910,823	\$ 10,964,141
Other assets	<u>11,711,871</u>	<u>10,877,806</u>
Total Assets	<u>22,622,694</u>	<u>21,841,947</u>
Deferred Outflows of Resources	<u> </u>	<u> </u>
Long-term and Other Liabilities:		
Long-term obligations	1,924,292	1,200,781
Other liabilities	<u>4,697,189</u>	<u>5,525,085</u>
Total Liabilities	<u>6,621,481</u>	<u>6,725,866</u>
Deferred Inflows of Resources	<u>-</u>	<u>471</u>
Net Position:		
Net investment in capital assets	9,087,448	9,614,546
Restricted	1,468,222	549,148
Unrestricted	<u>5,445,543</u>	<u>4,951,916</u>
Total Net Position	<u>\$ 16,001,213</u>	<u>\$ 15,115,610</u>

The Town's net position totaled \$16,001,213 at December 31, 2014, an increase of \$885,603 when compared to the end of 2013.

Approximately 57% of the Town's net position reflects the investment in capital assets such as land, buildings, infrastructure, and equipment less the outstanding debt used to acquire those assets. Another 9% of the 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 and capital projects funds. The remaining unrestricted portion represents the part of net position available to finance day-to-day operations.

Statement of Activities

Changes in net position of the Town's governmental activities for the years ending December 31, 2014 and 2013 are as follows:

TOWN OF PEMBROKE, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2014

	<u>2014</u>	<u>2013</u>
Program revenues:		
Charges for services	\$ 587,719	\$ 454,033
Operating grants and contributions	369,159	315,320
Capital grants and contributions	-	365,368
Total program revenues	<u>956,878</u>	<u>1,134,721</u>
General revenues:		
Property and other taxes	3,875,117	3,817,120
Licenses and permits	1,399,163	1,312,567
Intergovernmental revenue	342,104	315,964
Interest and investment earnings	13,806	19,739
Miscellaneous	56,865	141,210
Total general revenues	<u>5,687,055</u>	<u>5,606,600</u>
Total revenues	<u>6,643,933</u>	<u>6,741,321</u>
Program expenses:		
General government	1,374,145	1,372,950
Public safety	2,306,816	1,932,508
Highways and streets	1,422,692	1,319,851
Sanitation	224,667	219,696
Health and welfare	65,672	64,309
Culture and recreation	321,419	276,132
Interest and fiscal charges	42,919	49,994
Total expenses	<u>5,758,330</u>	<u>5,235,440</u>
Change in net position	885,603	1,505,881
Net position - beginning of year	<u>15,115,610</u>	<u>13,609,729</u>
Net position - ending of year	<u>\$ 16,001,213</u>	<u>\$ 15,115,610</u>

As shown in the above statement the Town's governmental activities experienced a favorable increase in financial position of \$885,603 on the full accrual basis of accounting.

Business-Type Activities

Statement of Net Position

Net position of the business-type activities as of December 31, 2014 and 2013 are as follows:

TOWN OF PEMBROKE, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2014

	<u>2014</u>	<u>2013</u>
Current and Other Assets:		
Capital assets	\$ 4,537,199	\$ 4,437,523
Other assets	<u>1,717,716</u>	<u>1,564,348</u>
Total Assets	<u>6,254,915</u>	<u>6,001,871</u>
Deferred Outflows of Resources	<u> </u>	<u> </u>
Long-term and Other Liabilities:		
Long-term obligations	424,220	476,357
Other liabilities	<u>209,946</u>	<u>57,374</u>
Total Liabilities	<u>634,166</u>	<u>533,731</u>
Deferred Inflows of Resources	<u>810</u>	<u>810</u>
Net Position:		
Net investment in capital assets	4,065,997	3,915,921
Unrestricted	<u>1,553,942</u>	<u>1,551,409</u>
Total Net Position	<u>\$ 5,619,939</u>	<u>\$ 5,467,330</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.

Statement of Activities

Changes in net position of the Town's business-type activities for the years ending December 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Program revenues:		
Charges for services	\$ 1,695,889	\$ 1,587,984
Total program revenues	<u>1,695,889</u>	<u>1,587,984</u>
General revenues:		
Interest and investment earnings	390	337
Miscellaneous	143,000	15,247
Gain on sale of capital assets	<u>2,000</u>	<u> </u>
Total general revenues and gain on sale of capital assets	<u>145,390</u>	<u>15,584</u>
Total revenues	<u>1,841,279</u>	<u>1,603,568</u>
Program expenses:		
Water distribution and treatment	686,482	635,372
Sanitation	<u>1,002,188</u>	<u>883,343</u>
Total expenses	<u>1,688,670</u>	<u>1,518,715</u>
Change in net position	152,609	84,853
Net position - beginning of year	<u>5,467,330</u>	<u>5,382,477</u>
Net position - ending of year	<u>\$ 5,619,939</u>	<u>\$ 5,467,330</u>

TOWN OF PEMBROKE, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2014

The main funding source for business-type activities is charges for services. Net position increased by \$152,609 in 2014 due to revenues exceeding expenses in the water fund.

Financial Analysis of the Town's Funds

As noted previously, 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 fund balance of \$4,521,864, an increase of \$503,234.

Other Governmental Funds

The total fund balance of \$1,924,837 in the other governmental funds is designated for the purposes of the individually established fund. The largest portion of this total represents the balance in the Road Improvements Fund (\$900,000 or 47%), the TIF District Fund (\$487,906 or 25%), and the Ambulance Fund (\$240,375 or 12%). Fund balance of the other governmental funds increased by \$910,540 in 2014 (or 90%).

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.

The Town's proprietary funds had unrestricted net position of \$1,553,942 at December 31, 2014, which is an increase of \$2,533 from December 31, 2013. There was also an increase in the net investment in capital assets of \$150,076 (or 4%) from December 31, 2013.

Capital Assets and Long-Term Obligations

Capital Assets

The Town of Pembroke considers a capital asset to be an asset whose costs exceed or equal \$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. See Note 5 to the basic financial statements for a complete schedule of capital asset activity for the year.

TOWN OF PEMBROKE, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2014

Long-Term Obligations

During 2014 the Town had a reduction in general obligation bonds in governmental activities of \$391,943 from payments made during the year and amortization of the bond premium. There was an increase of \$900,000 in general obligation bonds due to the Roadway Improvements bonds which were authorized at the 2014 annual Town meeting, which included a bond premium of \$68,000. See Note 8 to the basic financial statements for additional information on the long-term obligations of the Town.

General Fund Budgetary Highlights

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

During the year, the original estimated revenue and budgeted appropriations decreased by \$153,348. This decrease is the result of approved appropriations to be carried forward to 2015.

Actual revenues and transfers in on the budgetary basis exceeded the budgeted amount by \$159,762. This is primarily due to receiving additional revenues from the following budgeted sources: \$187,163 in licenses and permits and \$224,184 in charges for services. These additional revenue sources offset the taxes and transfers in which were less than the estimated amount by \$258,252.

The Town underexpended its appropriations by \$678,886 or 10%. There were savings within all Town departments with the largest savings within general government (\$139,027), public safety (\$190,527), and capital outlay (\$203,510).

Economic Conditions

The Town of Pembroke continues to review and update our capital investment plan (CIP) to accommodate and anticipate the needs of the community and its continued operation based on continued growth. By doing so, we have been able to set aside the necessary funds over the years to modernize our services to the community at a savings to the residents. The Town continues to plan for the future and continue reaching out to other communities in an effort to pool purchasing resources with the goal of being able to maximize services while at the same time stabilizing or cutting costs. Several initiatives with Suncook Valley Regional Town Association have enabled Pembroke to substantially lower their costs of health insurance. Also with the addition of the automated recycling program, the Town saved \$56,772 in 2014 and a total of \$219,404 since its inception in 2010 by recycling as opposed to sending it to the incinerator. Though Pembroke is considered mostly a bedroom community, we have been able over the years with proper planning to stabilize the Town portion of the tax rate with little or no tax increase.

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, 2014

	Primary Government		
	Governmental	Business-type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 11,225,606	\$ 364,498	\$ 11,590,104
Investments	68,771	29,637	98,408
Taxes receivable, net	1,168,039		1,168,039
Accounts receivable, net	38,989	471,469	510,458
Prepaid expenses	23,457		23,457
Inventory		39,121	39,121
Internal balance	(812,991)	812,991	
Total Current Assets	<u>11,711,871</u>	<u>1,717,716</u>	<u>13,429,587</u>
Noncurrent Assets:			
Non-depreciable capital assets	3,267,848	273,279	3,541,127
Depreciable capital assets, net	<u>7,642,975</u>	<u>4,263,920</u>	<u>11,906,895</u>
Total Noncurrent Assets	<u>10,910,823</u>	<u>4,537,199</u>	<u>15,448,022</u>
Total Assets	<u>22,622,694</u>	<u>6,254,915</u>	<u>28,877,609</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	98,679	154,301	252,980
Accrued expenses	187,472	3,142	190,614
Due to other governments	4,260,781		4,260,781
Deposits payable	1,308		1,308
Current portion of bonds payable	120,574		120,574
Current portion of notes payable	23,375	52,503	75,878
Current portion of estimated liability for landfill post-closure care costs	<u>5,000</u>		<u>5,000</u>
Total Current Liabilities	<u>4,697,189</u>	<u>209,946</u>	<u>4,907,135</u>
Noncurrent Liabilities:			
Bonds payable	1,679,426		1,679,426
Notes payable		418,699	418,699
Compensated absences payable	32,576		32,576
Other post-employment benefits payable	77,290	5,521	82,811
Estimated liability for landfill post-closure care costs	<u>135,000</u>		<u>135,000</u>
Total Noncurrent Liabilities	<u>1,924,292</u>	<u>424,220</u>	<u>2,348,512</u>
Total Liabilities	<u>6,621,481</u>	<u>634,166</u>	<u>7,255,647</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned user fees		810	810
Total Deferred Inflows of Resources	<u>-</u>	<u>810</u>	<u>810</u>
NET POSITION			
Net investment in capital assets	9,087,448	4,065,997	13,153,445
Restricted	1,468,222		1,468,222
Unrestricted	<u>5,445,543</u>	<u>1,553,942</u>	<u>6,999,485</u>
Total Net Position	<u>\$ 16,001,213</u>	<u>\$ 5,619,939</u>	<u>\$ 21,621,152</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, 2014

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
General government	\$ 1,374,145	\$ 16,368		\$ (1,357,777)		\$ (1,357,777)
Public safety	2,306,816	270,284	\$ 226,018	(1,810,514)		(1,810,514)
Highways and streets	1,422,692	3,045	143,141	(1,276,506)		(1,276,506)
Sanitation	224,667	271,654		46,987		46,987
Health and welfare	65,672			(65,672)		(65,672)
Culture and recreation	321,419	26,368		(295,051)		(295,051)
Interest and fiscal charges	42,919			(42,919)		(42,919)
Total governmental activities	5,758,330	587,719	369,159	(4,801,452)	\$ -	(4,801,452)
Business-type activities:						
Water Department	686,482	737,348			50,866	50,866
Sewer Department	1,002,188	958,541			(43,647)	(43,647)
Total business-type activities	1,688,670	1,695,889	-	-	7,219	7,219
Total primary government	7,447,000	2,283,608	369,159	(4,801,452)	7,219	(4,794,233)
General revenues:						
Property and other taxes				3,875,117		3,875,117
Licenses and permits				1,399,163		1,399,163
Grants and contributions:						
Rooms and meals tax distribution				342,104		342,104
Interest and investment earnings				13,806	390	14,196
Miscellaneous				56,865	143,000	199,865
Gain on sale of capital assets					2,000	2,000
Total general revenues and gain on sale of capital assets				5,687,055	145,390	5,832,445
Change in net position				885,603	152,609	1,038,212
Net position - beginning				15,115,610	5,467,330	20,582,940
Net position - ending				16,001,213	5,619,939	21,621,152

See accompanying notes to the basic financial statements

EXHIBIT C
TOWN OF PEMBROKE, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2014

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 11,220,425	\$ 5,181	\$ 11,225,606
Investments		68,771	68,771
Taxes receivable, net	1,162,638	5,401	1,168,039
Accounts receivable, net	7,359	31,630	38,989
Due from other funds		1,828,080	1,828,080
Prepaid expenses	23,457		23,457
Total Assets	<u>12,413,879</u>	<u>1,939,063</u>	<u>14,352,942</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 12,413,879</u>	<u>\$ 1,939,063</u>	<u>\$ 14,352,942</u>
LIABILITIES			
Accounts payable	\$ 94,563	\$ 3,538	\$ 98,101
Accrued expenses	156,952	10,688	167,640
Due to other governments	4,260,781		4,260,781
Deposits payable	1,308		1,308
Due to other funds	2,641,649		2,641,649
Total Liabilities	<u>7,155,253</u>	<u>14,226</u>	<u>7,169,479</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned property taxes	736,762		736,762
Total Deferred Inflows of Resources	<u>736,762</u>	<u>-</u>	<u>736,762</u>
FUND BALANCES			
Nonspendable	23,457	41,432	64,889
Restricted		1,426,790	1,426,790
Committed	1,312,438	437,861	1,750,299
Assigned	91,871	18,754	110,625
Unassigned	3,094,098		3,094,098
Total Fund Balances	<u>4,521,864</u>	<u>1,924,837</u>	<u>6,446,701</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 12,413,879</u>	<u>\$ 1,939,063</u>	

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	10,910,823
Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis	736,762
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	(1,800,000)
Notes payable	(23,375)
Accrued interest on long-term obligations	(19,832)
Compensated absences payable	(32,576)
Other post-employment benefits payable	(77,290)
Estimated liability for landfill post-closure care costs	(140,000)
Net position of governmental activities	<u>\$ 16,001,213</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, 2014

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, 2014

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds	Net Change in Fund Balances - Total Governmental Funds
Revenues:				\$ 1,413,774
Taxes	\$ 3,783,121	\$ 97,301	\$ 3,880,422	
Licenses and permits	1,399,163		1,399,163	
Intergovernmental	498,568	212,695	711,263	
Charges for services	328,984	258,735	587,719	
Interest and investment income	10,703	3,103	13,806	
Miscellaneous	55,564	21,101	76,665	
Total Revenues	6,076,103	592,935	6,669,038	(4,362)
Expenditures:				
Current operations:				(5,305)
General government	1,083,698	1,250	1,084,948	
Public safety	1,594,454	567,785	2,162,239	
Highways and streets	1,024,169	70,996	1,095,165	
Sanitation	229,667		229,667	
Health and welfare	65,425	500	65,925	
Culture and recreation	240,950	52,724	293,674	
Capital outlay	632,687	151,209	783,896	419,277
Debt service:				4,888
Principal retirement	385,000		385,000	
Interest and fiscal charges	54,750		54,750	
Total Expenditures	5,310,800	844,464	6,155,264	
Excess of revenues over (under) expenditures	765,303	(251,529)	513,774	(656)
Other financing sources (uses):				
Proceeds from bond issuance		832,000	832,000	
Bond premium		68,000	68,000	
Transfers in	715	262,784	263,499	(832,000)
Transfers out	(262,784)	(715)	(263,499)	
Total other financing sources (uses)	(262,069)	1,162,069	900,000	
Net change in fund balances	503,234	910,540	1,413,774	(61,057)
Fund balances at beginning of year	4,018,630	1,014,297	5,032,927	
Fund balances at end of year	\$ 4,521,864	\$ 1,924,837	\$ 6,446,701	(48,956)
Change in net position of governmental activities				\$ 885,603

Revenues:

Taxes

Licenses and permits

Intergovernmental

Charges for services

Interest and investment income

Miscellaneous

Total Revenues

Expenditures:

Current operations:

General government

Public safety

Highways and streets

Sanitation

Health and welfare

Culture and recreation

Capital outlay

Debt service:

Principal retirement

Interest and fiscal charges

Total Expenditures

Excess of revenues over (under) expenditures

Other financing sources (uses):

Proceeds from bond issuance

Bond premium

Transfers in

Transfers out

Total other financing sources (uses)

Net change in fund balances

Fund balances at beginning of year

Fund balances at end of year

Change in net position of governmental activities

See accompanying notes to the basic financial statements

EXHIBIT E
TOWN OF PEMBROKE, NEW HAMPSHIRE
Statement of Net Position
Proprietary Funds
December 31, 2014

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 79,709	\$ 284,789	\$ 364,498
Investments	29,637		29,637
Accounts receivable, net	170,218	301,251	471,469
Due from other funds	420,106	392,885	812,991
Inventory	39,121		39,121
Total Current Assets	<u>738,791</u>	<u>978,925</u>	<u>1,717,716</u>
Noncurrent Assets:			
Non-depreciable capital assets	273,279		273,279
Depreciable capital assets, net	2,637,801	1,626,119	4,263,920
Total Noncurrent Assets	<u>2,911,080</u>	<u>1,626,119</u>	<u>4,537,199</u>
Total Assets	<u>3,649,871</u>	<u>2,605,044</u>	<u>6,254,915</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	149,848	4,453	154,301
Accrued expenses	3,142		3,142
Current portion of note payable	52,503		52,503
Total Current Liabilities	<u>205,493</u>	<u>4,453</u>	<u>209,946</u>
Noncurrent Liabilities:			
Note payable	418,699		418,699
Other post-employment benefits payable		5,521	5,521
Total Noncurrent Liabilities	<u>418,699</u>	<u>5,521</u>	<u>424,220</u>
Total Liabilities	<u>624,192</u>	<u>9,974</u>	<u>634,166</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned user fees		810	810
Total Deferred Inflows of Resources	<u>-</u>	<u>810</u>	<u>810</u>
NET POSITION			
Net investment in capital assets	2,439,878	1,626,119	4,065,997
Unrestricted	585,801	968,141	1,553,942
Total Net Position	<u>\$ 3,025,679</u>	<u>\$ 2,594,260</u>	<u>\$ 5,619,939</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, 2014

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
Operating revenues:			
Charges for services, net	\$ 737,348	\$ 958,541	\$ 1,695,889
Miscellaneous revenues	140,443	2,557	143,000
Total operating revenues	<u>877,791</u>	<u>961,098</u>	<u>1,838,889</u>
Operating expenses:			
Personnel services	266,181	191,122	457,303
Contractual services	65,031	590,280	655,311
Materials and supplies	96,955	7,660	104,615
Maintenance and repairs	10,933	45,293	56,226
Utilities	65,221	18,214	83,435
Depreciation	129,698	133,325	263,023
Miscellaneous expenses	32,493	16,294	48,787
Total operating expenses	<u>666,512</u>	<u>1,002,188</u>	<u>1,668,700</u>
Operating income (loss)	<u>211,279</u>	<u>(41,090)</u>	<u>170,189</u>
Non-operating revenues (expenses):			
Gain on disposal of assets	2,000		2,000
Interest revenue	315	75	390
Interest expense	(19,970)		(19,970)
Net non-operating revenues (expenses)	<u>(17,655)</u>	<u>75</u>	<u>(17,580)</u>
Change in net position	193,624	(41,015)	152,609
Total net position at beginning of year	<u>2,832,055</u>	<u>2,635,275</u>	<u>5,467,330</u>
Total net position at end of year	<u>\$ 3,025,679</u>	<u>\$ 2,594,260</u>	<u>\$ 5,619,939</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, 2014

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 880,902	\$ 937,560	\$ 1,818,462
Cash paid to suppliers	(318,960)	(726,485)	(1,045,445)
Cash paid to employees	(212,252)	(140,338)	(352,590)
Net cash provided by operating activities	<u>349,690</u>	<u>70,737</u>	<u>420,427</u>
Cash flows from capital and related financing activities:			
Proceeds from sale of capital assets	2,000		2,000
Purchases of capital assets	(180,188)	(35,844)	(216,032)
Principal paid on long-term debt	(50,400)		(50,400)
Interest paid on long-term debt	(19,970)		(19,970)
Net cash used for capital and related financing activities	<u>(248,558)</u>	<u>(35,844)</u>	<u>(284,402)</u>
Cash flows from investing activities:			
Purchase of investments	(270)		(270)
Interest on investments	315	75	390
Net cash provided by investing activities	<u>45</u>	<u>75</u>	<u>120</u>
Net increase in cash and cash equivalents	101,177	34,968	136,145
Cash and cash equivalents at beginning of year	398,638	642,706	1,041,344
Cash and cash equivalents at end of year	<u>\$ 499,815</u>	<u>\$ 677,674</u>	<u>\$ 1,177,489</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 211,279	\$ (41,090)	\$ 170,189
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	129,698	133,325	263,023
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:			
Accounts receivable	3,111	(23,538)	(20,427)
Prepaid expenses	6,009		6,009
Inventory	(2,535)		(2,535)
Accounts payable	(14)	1,721	1,707
Accrued expenses	3,142		3,142
Deposits	(1,000)		(1,000)
Other post-employment benefits payable		319	319
Net cash provided by operating activities	<u>\$ 349,690</u>	<u>\$ 70,737</u>	<u>\$ 420,427</u>
Non-cash transactions affecting financial position:			
Capital asset additions included in year end liabilities	<u>\$ (146,667)</u>	<u>\$ -</u>	<u>\$ (146,667)</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, 2014

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 1,006,791
Investments	886,964
Due from other funds	<u>578</u>
Total Assets	<u><u>\$ 1,894,333</u></u>
LIABILITIES	
Deposits	\$ 39,696
Due to other governments	1,854,059
Due to others	<u>578</u>
Total Liabilities	<u><u>\$ 1,894,333</u></u>

See accompanying notes to the basic financial statements

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2014

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)
December 31, 2014

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 plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following is the Town's major governmental fund:

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.

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. 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 has one classification: agency funds. The Town's agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Town's agency funds account for the capital reserve and other funds of the Pembroke School District, which are held by the Town's Trustees of Trust Funds in accordance with State law. The Town also accounts for certain performance deposits in its agency funds.

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2014

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, the recording of unearned 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 2). Revenue from grants,

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2014

entitlements and donations is recognized in the year in which all eligibility requirements have been 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 and interest on investments.

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

2. Unearned Revenue:

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as unearned revenue.

3. 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, 2014, the Town applied \$400,000 of its unassigned fund balance to reduce taxes. An additional \$40,000 from fund balance was authorized at the 2014 annual meeting to offset approved warrant articles.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of the following:

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2014

	Water <u>Fund</u>	Sewer <u>Fund</u>	<u>Totals</u>
Cash and cash equivalents	\$ 79,709	\$ 284,789	\$ 364,498
Due from other funds	420,106	392,885	812,991
Total cash and cash equivalents	<u>\$ 499,815</u>	<u>\$ 677,674</u>	<u>\$ 1,177,489</u>

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, 2014 are recorded as receivables net of reserves for estimated uncollectibles of \$139,898.

Accounts Receivable

Accounts receivable are recorded net of reserves for estimated uncollectibles of \$397,806 in the ambulance fund (a nonmajor governmental fund) and \$64,304 in the sewer fund.

Inventory

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

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

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.

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 estimated fair values 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. Interest incurred during the construction phase of capital assets of business-type activities is also capitalized.

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2014

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	40
Buildings and improvements	40
Vehicles and equipment	5-30

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 including any applicable unamortized bond premium. The balance of the unamortized bond premium as of December 31, 2014 is \$68,000.

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. No payment for unused sick leave is made upon involuntary termination. Town employees earn vacation at 80-120 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.

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.

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2014

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 assets are available.

Fund Balance Policy

Under GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, 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.

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.

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2014

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. Significant estimates include depreciation expense, the allowance for uncollectible receivables and the liability for other post-employment benefits.

NOTE 2—PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$586,793,797 as of April 1, 2014) and are due in two installments on July 2, 2014 and December 22, 2014. Taxes paid after the due dates accrue interest at 12% per annum. Property taxes are 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. These priority tax liens accrue interest at 18% per annum. If the property is not redeemed within a two year redemption period, the property may be tax deeded to the Town.

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2014

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 \$11,760,781 and \$1,696,178 for the Pembroke School District and Merrimack County, respectively. These taxes are not recognized as revenues in these financial statements. At December 31, 2014, the balance of the property tax appropriation due to the Pembroke School District is \$4,260,781. The Town bears responsibility for uncollected taxes.

NOTE 3—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, 2014, 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, 2014.

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 \$500,000 for each and every covered property, crime and/or liability loss that exceeds \$1,000, up to an aggregate of \$5,000,000. 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 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 4—DEPOSITS AND INVESTMENTS

Deposits and investments as of December 31, 2014 are classified in the accompanying financial statements as follows:

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2014

Statement of Net Position:	
Cash and cash equivalents	\$ 11,590,104
Investments	98,408
Statement of Fiduciary Net Position:	
Cash and cash equivalents	1,006,791
Investments	886,964
Total deposits and investments	<u>\$ 13,582,267</u>

Deposits and investments as of December 31, 2014 consist of the following:

Cash on hand	\$ 1,198
Deposits with financial institutions	5,569,385
Investments	8,011,684
Total deposits and investments	<u>\$ 13,582,267</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 unexpendable 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:

<u>Investment Type</u>	<u>Not rated</u>
Open end mutual funds	\$ 29,892
Closed end mutual funds	81,538
Money market mutual funds	55,881
	<u>\$ 167,311</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)
December 31, 2014

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, \$4,804,363 was collateralized by securities held by the bank in the bank's name.

As of December 31, 2014, 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>Reported Amount</u>
Equity securities	\$ 788,424
Closed end mutual funds	81,538
	<u>\$ 869,962</u>

NOTE 5—CAPITAL ASSETS

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

	<u>Balance 01/01/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/14</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 2,544,283	\$ 147,000	\$ (32,014)	\$ 2,659,269
Easements	608,579			608,579
Construction in progress	1,095,036		(1,095,036)	-
Total capital assets not being depreciated	<u>4,247,898</u>	<u>147,000</u>	<u>(1,127,050)</u>	<u>3,267,848</u>
Other capital assets:				
Intangible assets	60,960			60,960
Infrastructure	4,351,346	231,806		4,583,152
Buildings and improvements	3,843,700			3,843,700
Vehicles and equipment	5,039,983	1,244,280	(369,807)	5,914,456
Total other capital assets at historical cost	<u>13,295,989</u>	<u>1,476,086</u>	<u>(369,807)</u>	<u>14,402,268</u>
Less accumulated depreciation for:				
Intangible assets	(6,096)	(6,096)		(12,192)
Infrastructure	(481,426)	(114,579)		(596,005)
Buildings and improvements	(2,661,088)	(86,587)		(2,747,675)
Vehicles and equipment	(3,431,136)	(315,150)	342,865	(3,403,421)
Total accumulated depreciation	<u>(6,579,746)</u>	<u>(522,412)</u>	<u>342,865</u>	<u>(6,759,293)</u>
Total other capital assets, net	<u>6,716,243</u>	<u>953,674</u>	<u>(26,942)</u>	<u>7,642,975</u>
Total capital assets, net	<u>\$ 10,964,141</u>	<u>\$ 1,100,674</u>	<u>\$ (1,153,992)</u>	<u>\$ 10,910,823</u>

Depreciation expense was charged to governmental functions as follows:

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2014

General government	\$ 170,571
Public safety	105,310
Highways and streets	245,316
Culture and recreation	1,215
Total governmental activities depreciation expense	<u>\$ 522,412</u>

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

	Balance 01/01/14	Additions	Reductions	Balance 12/31/14
Business-type activities:				
Capital assets not depreciated:				
Land	\$ 31,935			\$ 31,935
Construction in progress	199,416	\$ 41,928		241,344
Total capital assets not being depreciated	<u>231,351</u>	<u>41,928</u>	<u>\$ -</u>	<u>273,279</u>
Other capital assets:				
Intangible assets	29,000			29,000
Building and improvements	272,333			272,333
Water infrastructure	2,159,916	213,540		2,373,456
Sewer infrastructure	3,417,224			3,417,224
Machinery, vehicles, and equipment	2,967,002	107,231	(4,000)	3,070,233
Other	29,865			29,865
Total other capital assets at historical cost	<u>8,846,340</u>	<u>320,771</u>	<u>(4,000)</u>	<u>9,192,111</u>
Less accumulated depreciation for:				
Intangible assets	(2,900)	(2,900)		(5,800)
Building and improvements	(202,845)	(5,790)		(208,635)
Water infrastructure	(901,180)	(51,929)		(953,109)
Sewer infrastructure	(1,842,225)	(113,908)		(1,956,133)
Machinery, vehicles, and equipment	(1,690,153)	(84,496)		(1,774,649)
Other	(29,865)			(29,865)
Total accumulated depreciation	<u>(4,669,168)</u>	<u>(259,023)</u>	<u>-</u>	<u>(4,928,191)</u>
Total other capital assets, net	<u>4,177,172</u>	<u>61,748</u>	<u>(4,000)</u>	<u>4,263,920</u>
Total capital assets, net	<u>\$ 4,408,523</u>	<u>\$ 103,676</u>	<u>\$ (4,000)</u>	<u>\$ 4,537,199</u>

Depreciation expense was charged to the proprietary funds as follows:

Water Fund	\$ 125,698
Sewer Fund	133,325
Total business-type activities depreciation expense	<u>\$ 259,023</u>

NOTE 6—DEFINED BENEFIT PLAN

Plan Description

The Town contributes to the New Hampshire Retirement System (NHRS), a cost-sharing multiple-employer defined benefit pension plan administered by the NHRS Board of Trustees. 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

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2014

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.

Funding Policy

Covered public safety employees are required to contribute 11.55% 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 and general employees are 25.30% and 10.77%, respectively. The Town contributed 100% of the employer cost for public safety and general employees.

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 years ending December 31, 2014, 2013 and 2012 were \$279,234, \$235,544, and \$195,224, respectively, equal to the required contributions for each year.

NOTE 7—OTHER POST-EMPLOYMENT BENEFITS

In addition to providing pension benefits, the Town provides implicit post-employment medical benefits to its eligible retirees and their spouses. General employees must reach age 50 with 10 years of service, obtain 20 years of service and 70 points (the sum of age plus years of service) or reach age 60 with no service to qualify for this benefit. Public safety employees are required to reach age 45 with 20 years of service or reach age 60 with no service to qualify for this benefit. Retirees pay the full cost of the health care coverage. This valuation does not account for the cost of benefits to retirees or their spouses after age 65. Surviving beneficiaries continue to receive medical coverage after the death of the eligible retired employee as long as they pay the required premiums. This valuation does not account for the cost of benefits to survivors. The benefits, benefit levels, employee contributions and employer contributions are governed by RSA 100-A:50. As of January 1, 2013, the actuarial valuation date, participants of the postretirement plan that meet eligibility requirements are comprised of 6 retirees and 30 active employees with 6 currently eligible to retire. The plan does not issue a separate financial report.

Annual OPEB Costs

The Town's fiscal 2014 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined using the alternative measurement method in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid, on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period of thirty years. The Town's annual OPEB cost for the year ending December 31, 2014 including the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of January 1, 2013 is as follows:

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2014

Annual required contribution	\$ 64,552
Interest on net OPEB obligation	3,121
NOO amortization adjustment to ARC	<u>(3,101)</u>
Annual OPEB cost	64,572
Contributions made	<u>(59,795)</u>
Increase in net OPEB obligation	4,777
Net OPEB obligation - beginning of year	<u>78,034</u>
Net OPEB obligation - end of year	<u>\$ 82,811</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ending December 31, 2014, 2013 and 2012 are as follows:

Fiscal Year <u>Ended</u>	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
12/31/2014	\$ 64,572	92.6%	\$ 82,811
12/31/2013	\$ 64,570	85.0%	\$ 78,034
12/31/2012	\$ 68,934	67.0%	\$ 68,322

The Town's net OPEB obligation as of December 31, 2014 is recognized as a liability in these financial statements.

Funded Status and Funding Progress for OPEB

The funded status of the plan as of January 1, 2013, the date of the most recent actuarial valuation is as follows:

Actuarial Accrued Liability (AAL)	\$ 860,755
Actuarial value of plan assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 860,755</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$ 1,384,167
UAAL as a percentage of covered payroll	62.2%

The alternative measurement valuation involves estimates of the value of reported amounts and assumptions about the probability of events in the future. The total cost of providing post-employment benefits is projected, taking into account assumptions about current claim cost, turnover, mortality, health care trends, and other actuarial assumptions. Internally generated key assumptions, based on recent trends within the Town, include general considerations, expected point at which benefits begin, and marital dependency status. Mortality assumptions were derived from the RP-2000 Mortality Table. The assumption on health care trends was provided by an independent company that assisted the Town in the preparation of the alternative measurement method for GASB 45. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits, when available.

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2014

Actuarial Methods and Assumptions for OPEB

Projections of benefits for financial reporting purposes are based on the plan as understood by the Town and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Town and plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the January 1, 2013 actuarial valuation, the Projected Unit Credit cost method was used. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The actuarial assumptions included a 4.0% investment rate of return and an annual healthcare cost trend rate of 9.0% initially, and then reduced by 0.5% decrements to an ultimate rate of 5.0% after 8 years. The amortization costs for the initial Unfunded Actuarial Accrued Liability (UAAL) is a level percentage of payroll for a period of thirty years on an open group basis. This has been calculated assuming the amortization payment increases at a rate of 3.0% per year.

NOTE 8—LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

The changes in the Town's long-term obligations for the year ended December 31, 2014 are as follows:

	Balance 01/01/14	Additions	Reductions	Balance 12/31/14	Due Within One Year
<i>Governmental activities:</i>					
Bonds payable	\$ 1,285,000	\$ 832,000	\$ (385,000)	\$ 1,732,000	\$ 100,000
Unamortized bond premium	6,943	68,000	(6,943)	68,000	20,574
Total bonds payable	1,291,943	900,000	(391,943)	1,800,000	120,574
Notes payable	57,652		(34,277)	23,375	23,375
Compensated absences payable	31,378	5,718	(4,520)	32,576	
Total governmental activities	<u>\$ 1,380,973</u>	<u>\$ 905,718</u>	<u>\$ (430,740)</u>	<u>\$ 1,855,951</u>	<u>\$ 143,949</u>
<i>Business-type activities:</i>					
Notes payable	\$ 521,602		\$ (50,400)	\$ 471,202	\$ 52,503
Total business-type activities	<u>\$ 521,602</u>	<u>\$ -</u>	<u>\$ (50,400)</u>	<u>\$ 471,202</u>	<u>\$ 52,503</u>

Payments on the general obligation bonds of the governmental activities are paid out of the General Fund. Amortization of the bond premium is recognized as a component of interest expense on the government-wide financial statements. Payments on the notes payable of the governmental activities and the business-type activities are paid out of the Ambulance Fund (a nonmajor governmental fund) and the Water Fund, respectively. Compensated absences payable will be paid from the fund where the employee's salary is paid.

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2014

Governmental Activities

Bonds payable

Bonds payable at December 31, 2014 is 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%	\$ 900,000
\$832,000, 2014 Roadway Improvement bonds, due in varying annual installments of \$270,000 - \$282,000 through February 2018, interest at 5.10%	<u>832,000</u>
	1,732,000
Add: Unamortized bond premium	<u>68,000</u>
	<u>\$ 1,800,000</u>

Debt service requirements to retire general obligation bonds outstanding for governmental activities at December 31, 2014 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 100,000	\$ 66,695	\$ 166,695
2016	382,000	70,591	452,591
2017	380,000	52,110	432,110
2018	370,000	33,835	403,835
2019	100,000	22,600	122,600
2020-2023	<u>400,000</u>	<u>45,550</u>	<u>445,550</u>
Total	1,732,000	291,381	2,023,381
Add: <i>Bond Premium</i>	<u>68,000</u>		<u>68,000</u>
	<u>\$ 1,800,000</u>	<u>\$ 291,381</u>	<u>\$ 2,091,381</u>

Notes payable

The note payable at December 31, 2014 is comprised of the following individual issue:

\$57,652, 2013 Ambulance promissory note, paid off in full in January 2015, interest at 2.55%	<u>\$ 23,375</u>
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Debt service requirements to retire the note payable for governmental activities at December 31, 2014 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	<u>\$ 23,375</u>	<u>\$ 300</u>	<u>\$ 23,675</u>

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2014

Business-type Activities

Notes payable

The notes payable at December 31, 2014 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	\$ 305,604
\$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	165,598
	<u>\$ 471,202</u>

Debt service requirements to retire the notes payable for business-type activities at December 31, 2014 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 52,503	\$ 17,868	\$ 70,371
2016	54,642	15,729	70,371
2017	56,868	13,503	70,371
2018	59,185	11,186	70,371
2019	177,060	5,173	182,233
2020-2021	70,944	1,995	72,939
	<u>\$ 471,202</u>	<u>\$ 65,454</u>	<u>\$ 536,656</u>

Authorized and Unissued Debt

As of December 31, 2014, the Town had the following debt authorized and unissued:

<u>Description</u>	<u>Amount</u>
Roadway improvement and reconstruction	\$ 904,000
Water line improvements	300,000
	<u>\$ 1,204,000</u>

NOTE 9—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 \$140,000 as of December 31, 2014. 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, 2014. However, the actual cost of

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2014

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, 2014:

Balance - January 1, 2014	\$ 145,000
Change in estimated liability	(1,757)
Expenditures recognized in General Fund	<u>(3,243)</u>
Balance - December 31, 2014	<u>\$ 140,000</u>

NOTE 10—INTERFUND BALANCES AND TRANSFERS

The Town 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 investing funds applicable to other funds within the Town. Interfund balances at December 31, 2014 are as follows:

		Due from
		General Fund
Due to	Nonmajor Governmental Funds	\$ 1,828,080
	Water Fund	420,106
	Sewer Fund	392,885
	Fiduciary Funds	<u>578</u>
		<u>\$ 2,641,649</u>

During the year, several interfund transactions occurred between funds. The transfers out of the Nonmajor Governmental Funds were made to distribute the earned income during the year to support the Town's programs. The transfer out of the General Fund was made in accordance with budgetary authorizations. Interfund transfers for the year ended December 31, 2014 are as follows:

		Transfer from	
		Nonmajor	
Transfer to	General Fund	Governmental Funds	Totals
	General Fund	\$ 715	\$ 715
	Nonmajor Governmental Funds	<u>\$ 262,784</u>	<u>262,784</u>
		<u>\$ 715</u>	<u>\$ 263,499</u>

NOTE 11—RESTRICTED NET POSITION

Net position is restricted for specific purposes as follows:

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2014

	Governmental Activities
Permanent Funds - Principal	\$ 41,432
Permanent Funds - Income	32,520
Road Improvements	900,000
Tax Increment Financing District	487,906
Christmas Donations Fund	235
Police Grants Fund	4,096
Grants Fund	2,033
	<u>\$ 1,468,222</u>

NOTE 12—COMPONENTS OF FUND BALANCE

The Town's fund balance components are comprised as follows:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Permanent Funds - Principal		\$ 41,432	\$ 41,432
Prepaid expenses	\$ 23,457		23,457
Restricted for:			
Permanent Funds - Income		32,520	32,520
Road Improvements		900,000	900,000
Tax Increment Financing District		487,906	487,906
Christmas Donations Fund		235	235
Police Grants Fund		4,096	4,096
Grants Fund		2,033	2,033
Committed for:			
Police Details Fund		27,653	27,653
Conservation Commission		169,833	169,833
Ambulance Fund		240,375	240,375
Expendable Trust Funds	1,312,438		1,312,438
Assigned for:			
Recreation Fund		18,749	18,749
Town Clock Fund		5	5
Library operations	7,945		7,945
Encumbrances	83,926		83,926
Unassigned:			
Unassigned - General operations	3,094,098		3,094,098
	<u>\$ 4,521,864</u>	<u>\$ 1,924,837</u>	<u>\$ 6,446,701</u>

NOTE 13—CONTINGENCIES

Litigation

The Town's management estimates that any potential claims against the Town, which are not covered by insurance, are immaterial and would not affect the financial position of the Town.

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2014

NOTE 14—SUBSEQUENT EVENTS

Bond Authorization

At the March 2015 annual town meeting, the voters authorized a bond issuance of \$4,000,000 for the purpose of financing the construction of continuing the Loop Road to the intersection of Routes 3 and 106. Funding for these debt service payments will come from the Tax Increment Financing District Fund.

Notes Payable

During May 2015, the Town issued notes payable in the amount of \$250,000 for the purpose of water line improvements. These notes have an interest rate of 3.30% and mature May 2025.

NOTE 15—IMPLEMENTATION OF FUTURE ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which the Town is required to implement in the year ending December 31, 2015. Management believes that this pronouncement will have a potentially significant impact on the Town's government wide financial statements. The Town will have to report its estimated proportional share of the New Hampshire Retirement System's unfunded pension liability in the financial statements for the fiscal year beginning after June 15, 2014.

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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Taxes	\$ 3,827,212	\$ 3,827,212	\$ 3,777,816	\$ (49,396)
Licenses and permits	1,212,000	1,212,000	1,399,163	187,163
Intergovernmental	647,459	494,111	498,568	4,457
Charges for services	104,800	104,800	328,984	224,184
Interest and investment income	12,000	12,000	10,585	(1,415)
Miscellaneous	46,000	46,000	50,225	4,225
Total Revenues	<u>5,849,471</u>	<u>5,696,123</u>	<u>6,065,341</u>	<u>369,218</u>
Expenditures:				
Current:				
General government	1,228,765	1,228,765	1,089,738	139,027
Public safety	1,777,826	1,777,826	1,587,299	190,527
Highways and streets	1,061,510	1,061,510	1,028,845	32,665
Sanitation	296,300	296,300	229,667	66,633
Health and welfare	108,515	108,515	66,005	42,510
Culture and recreation	35,715	35,715	32,233	3,482
Economic development	355	355	-	355
Capital outlay	900,827	747,479	543,969	203,510
Debt service:				
Principal retirement	385,000	385,000	385,000	-
Interest and fiscal charges	54,751	54,751	54,750	1
Total Expenditures	<u>5,849,564</u>	<u>5,696,216</u>	<u>5,017,506</u>	<u>678,710</u>
Excess of revenues over (under) expenditures	<u>(93)</u>	<u>(93)</u>	<u>1,047,835</u>	<u>1,047,928</u>
Other financing sources (uses):				
Transfers in	610,945	610,945	401,489	(209,456)
Transfers out	(1,050,852)	(1,050,852)	(1,050,676)	176
Total other financing sources (uses)	<u>(439,907)</u>	<u>(439,907)</u>	<u>(649,187)</u>	<u>(209,280)</u>
Net change in fund balance	(440,000)	(440,000)	398,648	838,648
Fund balance at beginning of year				
- Budgetary Basis	<u>3,455,669</u>	<u>3,455,669</u>	<u>3,455,669</u>	<u>-</u>
Fund balance at end of year				
- Budgetary Basis	<u>\$ 3,015,669</u>	<u>\$ 3,015,669</u>	<u>\$ 3,854,317</u>	<u>\$ 838,648</u>

See accompanying notes to the required supplementary information

SCHEDULE 2

TOWN OF PEMBROKE, NEW HAMPSHIRE

Schedule of Funding Progress for Other Post-Employment Benefits

For the Year Ended December 31, 2014

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Projected Unit Credit</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
1/1/2013	\$ -	\$ 860,755	\$ 860,755	0%	\$ 1,384,167	62.2%
1/1/2010	\$ -	\$ 833,515	\$ 833,515	0%	\$ 1,205,567	69.1%

See accompanying notes to the required supplementary information

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2014

NOTE 1—BUDGET TO ACTUAL RECONCILIATION

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 expenditures were adjusted for non-budgetary revenues and expenditures and budgetary transfers in and out as follows:

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 6,076,818	\$ 5,573,584
Difference in property taxes meeting susceptible to accrual criteria	(5,305)	
Encumbrances - December 31, 2014		83,926
Encumbrances - December 31, 2013		(125,422)
Non-budgetary revenues and expenditures	(5,457)	(251,798)
Budgetary transfers in and out	400,774	787,892
Per Schedule 1	<u>\$ 6,466,830</u>	<u>\$ 6,068,182</u>

NOTE 2—BUDGETARY FUND BALANCES

The components of the budgetary fund balance for the General Fund are as follows:

	<u>General Fund</u>
Nonspendable:	
Prepaid expenses	\$ 23,457
Unassigned:	
Unassigned - General operations	3,830,860
	<u>\$ 3,854,317</u>

NOTE 3—SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS

In accordance with GASB Statement #45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, the Town is required to disclose the schedule of funding progress for each of the three most recent actuarial valuations. The Town implemented the provisions of GASB Statement #45 during the year ended December 31, 2010. Accordingly, the funding progress has only been presented for the two most recent actuarial valuation reports. Additional disclosures will be made as the information becomes available.

SCHEDULE A
TOWN OF PEMBROKE, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Funds
December 31, 2014

	Total Special Revenue Funds	Total Capital Projects Funds	Permanent Funds	Total Nonmajor Funds
ASSETS				
Cash and cash equivalents			\$ 5,181	\$ 5,181
Investments			68,771	68,771
Taxes receivable, net	\$ 5,401			5,401
Accounts receivable, net	31,630			31,630
Due from other funds	440,174	\$ 1,387,906		1,828,080
Total Assets	<u>477,205</u>	<u>1,387,906</u>	<u>73,952</u>	<u>1,939,063</u>
DEFERRED OUTFLOWS OF RESOURCES				
Total Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 477,205</u>	<u>\$ 1,387,906</u>	<u>\$ 73,952</u>	<u>\$ 1,939,063</u>
LIABILITIES				
Accounts payable	\$ 3,538			\$ 3,538
Accrued expenses	10,688			10,688
Total Liabilities	<u>14,226</u>	<u>\$ -</u>	<u>\$ -</u>	<u>14,226</u>
DEFERRED INFLOWS OF RESOURCES				
Total Deferred Inflows of Resources	-	-	-	-
FUND BALANCES				
Nonspendable			41,432	41,432
Restricted	6,364	1,387,906	32,520	1,426,790
Committed	437,861			437,861
Assigned	18,754			18,754
Total Fund Balances	<u>462,979</u>	<u>1,387,906</u>	<u>73,952</u>	<u>1,924,837</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 477,205</u>	<u>\$ 1,387,906</u>	<u>\$ 73,952</u>	<u>\$ 1,939,063</u>

SCHEDULE A-1
TOWN OF PEMBROKE, NEW HAMPSHIRE
 Combining Balance Sheet
 Governmental Funds - All Nonmajor Special Revenue Funds
 December 31, 2014

	Recreation Fund	Police Details Fund	Christmas Donations Fund	Town Clock Fund	Police Grants Fund	Conservation Commission Fund	Grants Fund	Ambulance Fund	Total Special Revenue Funds
ASSETS									
Taxes receivable, net		\$ 180				\$ 5,401		\$ 31,450	\$ 5,401
Accounts receivable, net	\$ 18,749	27,473	\$ 735	\$ 5	\$ 4,096	164,432	\$ 2,033	222,651	31,630
Due from other funds	18,749	27,653	735	5	4,096	169,833	2,033	254,101	440,174
Total Assets									477,205
DEFERRED OUTFLOWS OF RESOURCES									
Total Deferred Outflows of Resources	-	-	-	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 18,749	\$ 27,653	\$ 735	\$ 5	\$ 4,096	\$ 169,833	\$ 2,033	\$ 254,101	\$ 477,205
LIABILITIES									
Accounts payable			\$ 500						\$ 3,538
Accrued expenses								10,688	10,688
Total Liabilities	\$ -	\$ -	500	-	-	-	-	13,726	14,226
DEFERRED INFLOWS OF RESOURCES									
Total Deferred Inflows of Resources	-	-	-	-	-	-	-	-	-
FUND BALANCES									
Restricted			235		4,096	169,833	2,033	240,375	6,364
Committed		27,653							437,861
Assigned	18,749			5					18,754
Total Fund Balances	18,749	27,653	235	5	4,096	169,833	2,033	240,375	462,979
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 18,749	\$ 27,653	\$ 735	\$ 5	\$ 4,096	\$ 169,833	\$ 2,033	\$ 254,101	\$ 477,205

SCHEDULE A-2
TOWN OF PEMBROKE, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Capital Projects Funds
December 31, 2014

	Road Improvements <u>Fund</u>	TIF District <u>Fund</u>	Total Capital Projects <u>Funds</u>
ASSETS			
Due from other funds	\$ 900,000	\$ 487,906	\$ 1,387,906
Total Assets	<u>900,000</u>	<u>487,906</u>	<u>1,387,906</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 900,000</u>	<u>\$ 487,906</u>	<u>\$ 1,387,906</u>
LIABILITIES			
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES			
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted	<u>900,000</u>	<u>487,906</u>	<u>1,387,906</u>
Total Fund Balances	<u>900,000</u>	<u>487,906</u>	<u>1,387,906</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 900,000</u>	<u>\$ 487,906</u>	<u>\$ 1,387,906</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, 2014

	Total Special Revenue Funds	Total Capital Projects Funds	Permanent Funds	Total Nonmajor Funds
Revenues:				
Taxes	\$ 14,200	\$ 83,101		\$ 97,301
Intergovernmental revenue	212,695			212,695
Charges for services	258,735			258,735
Interest and investment income	2		\$ 3,101	3,103
Miscellaneous	21,101			21,101
Total Revenues	<u>506,733</u>	<u>83,101</u>	<u>3,101</u>	<u>592,935</u>
Expenditures:				
Current operations:				
General government	1,250			1,250
Public safety	567,785			567,785
Highways and streets		70,996		70,996
Health and welfare	500			500
Culture and recreation	52,724			52,724
Capital outlay	151,209			151,209
Total Expenditures	<u>773,468</u>	<u>70,996</u>	<u>-</u>	<u>844,464</u>
Excess of revenues over (under) expenditures	<u>(266,735)</u>	<u>12,105</u>	<u>3,101</u>	<u>(251,529)</u>
Other financing sources (uses):				
Proceeds from bond issuance		832,000		832,000
Bond premium		68,000		68,000
Transfers in	262,784			262,784
Transfers out	(715)			(715)
Total other financing sources (uses)	<u>262,069</u>	<u>900,000</u>	<u>-</u>	<u>1,162,069</u>
Net change in fund balances	(4,666)	912,105	3,101	910,540
Fund balances at beginning of year	<u>467,645</u>	<u>475,801</u>	<u>70,851</u>	<u>1,014,297</u>
Fund balances at end of year	<u>\$ 462,979</u>	<u>\$ 1,387,906</u>	<u>\$ 73,952</u>	<u>\$ 1,924,837</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, 2014

	Recreation Fund	Police Details Fund	Christmas Donations Fund	Town Clock Fund	Police Grants Fund	Conservation Commission Fund	Grants Fund	Ambulance Fund	Total Special Revenue Funds
Revenues:									
Taxes		\$ 3,217				\$ 14,200	\$ 471	\$ 209,007	\$ 14,200
Intergovernmental revenue									212,695
Charges for services	\$ 24,818	13,213						220,704	258,735
Interest and investment income						²			²
Miscellaneous	9,700		\$ 735	\$ 703	\$ 4,056	852	3,500	1,555	21,101
Total Revenues	<u>34,518</u>	<u>16,430</u>	<u>735</u>	<u>703</u>	<u>4,056</u>	<u>15,054</u>	<u>3,971</u>	<u>431,266</u>	<u>506,733</u>
Expenditures:									
Current operations:									
General government							1,250		1,250
Public safety		13,626			2,456		688	551,015	567,785
Health and welfare			500						500
Culture and recreation	31,822					20,902			52,724
Capital outlay	<u>31,822</u>	<u>13,626</u>	<u>500</u>	<u>-</u>	<u>2,456</u>	<u>151,209</u>	<u>1,938</u>	<u>551,015</u>	<u>151,209</u>
Total Expenditures						<u>172,111</u>			<u>773,468</u>
Excess of revenues over (under) expenditures	<u>2,696</u>	<u>2,804</u>	<u>235</u>	<u>703</u>	<u>1,600</u>	<u>(157,057)</u>	<u>2,033</u>	<u>(119,749)</u>	<u>(266,735)</u>
Other financing sources (uses):									
Transfers in								262,784	262,784
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(715)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>262,784</u>	<u>(715)</u>
Total other financing sources (uses)									<u>262,069</u>
Net change in fund balances	2,696	2,804	235	(12)	1,600	(157,057)	2,033	143,035	(4,666)
Fund balances at beginning of year	<u>16,053</u>	<u>24,849</u>	<u>-</u>	<u>17</u>	<u>2,496</u>	<u>326,890</u>	<u>-</u>	<u>97,340</u>	<u>467,645</u>
Fund balances at end of year	<u>\$ 18,749</u>	<u>\$ 27,653</u>	<u>\$ 235</u>	<u>\$ 5</u>	<u>\$ 4,096</u>	<u>\$ 169,833</u>	<u>\$ 2,033</u>	<u>\$ 240,375</u>	<u>\$ 462,979</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 Fund

For the Year Ended December 31, 2014

	Road Improvements Fund	TIF District Fund	Total Capital Projects Funds
Revenues:			
Taxes		\$ 83,101	\$ 83,101
Total Revenues	\$ -	83,101	83,101
Expenditures:			
Current operations:			
Highways and streets		70,996	70,996
Total Expenditures	-	70,996	70,996
Excess of revenues over (under) expenditures	-	12,105	12,105
Other financing sources (uses):			
Proceeds from bond issuance	832,000		832,000
Bond premium	68,000		68,000
Total other financing sources (uses)	900,000	-	900,000
Net change in fund balances	900,000	12,105	912,105
Fund balances at beginning of year	-	475,801	475,801
Fund balances at end of year	\$ 900,000	\$ 487,906	\$ 1,387,906

SCHEDULE C
TOWN OF PEMBROKE, NEW HAMPSHIRE
Combining Statement of Fiduciary Net Position
Fiduciary Funds - All Agency Funds
December 31, 2014

	School Agency <u>Fund</u>	M & M <u>Fund</u>	Performance Bond Agency <u>Fund</u>	Total Agency <u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ 967,095		\$ 39,696	\$ 1,006,791
Investments	886,964			886,964
Due from other funds		\$ 578		578
Total Assets	<u>\$ 1,854,059</u>	<u>\$ 578</u>	<u>\$ 39,696</u>	<u>\$ 1,894,333</u>
LIABILITIES				
Deposits			\$ 39,696	\$ 39,696
Due to other governments	\$ 1,854,059			1,854,059
Due to others		\$ 578		578
Total Liabilities	<u>\$ 1,854,059</u>	<u>\$ 578</u>	<u>\$ 39,696</u>	<u>\$ 1,894,333</u>