

**TOWN OF PEMBROKE, NEW HAMPSHIRE**

**Financial Statements**

**December 31, 2016**

**and**

**Independent Auditor's Report**



**TOWN OF PEMBROKE, NEW HAMPSHIRE**  
**FINANCIAL STATEMENTS**  
**December 31, 2016**

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**FINANCIAL STATEMENTS**  
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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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress for other post-employment benefits, schedule of changes in the Town's proportionate share of the net pension liability, and the schedule of Town contributions on pages i-viii and 35-38 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.

*Vadon Clukey & Company PC*

Manchester, New Hampshire  
September 14, 2017



**TOWN OF PEMBROKE, NEW HAMPSHIRE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ending December 31, 2016

Presented herewith please find the Management Discussion & Analysis Report for the Town of Pembroke for the year ending December 31, 2016. 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 financial statements.

***Government-Wide Financial Statements***

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

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

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



**TOWN OF PEMBROKE, NEW HAMPSHIRE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ending December 31, 2016

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 and the TIF District Fund, which are considered major funds. Other governmental funds are aggregated as nonmajor funds.

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

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

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

**Notes to the Basic Financial Statements**

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



**TOWN OF PEMBROKE, NEW HAMPSHIRE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ending December 31, 2016

**Required Supplementary Information**

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

This section also includes a schedule of funding progress for other post-employment benefits from actuarial valuations, a schedule of changes in the Town's proportionate share of the net pension liability, and a schedule of Town contributions to the New Hampshire Retirement System.

**Other Supplementary Information**

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

**Government-Wide Financial Analysis**

**Governmental Activities**

The table below provides a summary of the Town's net position of its governmental activities as of December 31, 2016 compared with 2015.

	<u>2016</u>	<u>2015</u>
Current and Other Assets:		
Capital assets	\$ 13,454,025	\$ 11,760,015
Other assets	16,946,076	13,383,144
Total Assets	<u>30,400,101</u>	<u>25,143,159</u>
Deferred Outflows of Resources	<u>997,344</u>	<u>331,318</u>
Long-term and Other Liabilities:		
Long-term obligations	5,099,414	4,518,485
Other liabilities	9,897,399	5,953,777
Total Liabilities	<u>14,996,813</u>	<u>10,472,262</u>
Deferred Inflows of Resources	<u>76,248</u>	<u>143,937</u>
Net Position:		
Net investment in capital assets	10,823,531	10,080,589
Restricted	1,292,272	999,901
Unrestricted	4,208,581	3,777,788
Total Net Position	<u>\$ 16,324,384</u>	<u>\$ 14,858,278</u>

The Town's net position totaled \$16,324,384 at December 31, 2016, an increase of \$1,466,106 when compared to the end of 2015.



**TOWN OF PEMBROKE, NEW HAMPSHIRE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ending December 31, 2016

Approximately 68% of the Town's net position reflects its investment in capital assets such as land, buildings, and equipment less any related outstanding debt used to acquire those assets. Another 8% of the Town's net position is restricted in regard to how it may be used. For the Town of Pembroke, those restrictions include those related to permanent funds and capital projects funds. The remaining unrestricted portion represents the part of net position of the Town of Pembroke that can be used to finance day-to-day operations.

Changes in net position for governmental activities for the year ending December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Program revenues:		
Charges for services	\$ 597,192	\$ 660,909
Operating grants and contributions	379,025	379,174
Capital grants and contributions	<u>167,165</u>	<u>-</u>
Total program revenues	<u>1,143,382</u>	<u>1,040,083</u>
General revenues:		
Property and other taxes	4,299,557	4,292,438
Licenses and permits	1,487,527	1,464,297
Intergovernmental revenue	366,517	340,326
Interest and investment earnings	21,525	11,817
Miscellaneous	<u>32,399</u>	<u>36,702</u>
Total general revenues	<u>6,207,525</u>	<u>6,145,580</u>
Total revenues	<u>7,350,907</u>	<u>7,185,663</u>
Program expenses:		
General government	1,453,354	1,339,375
Public safety	2,415,118	2,203,972
Highways and streets	1,379,119	1,309,085
Sanitation	207,400	258,619
Health and welfare	66,135	60,862
Culture and recreation	316,311	304,029
Economic development	-	1,000
Interest and fiscal charges	<u>47,364</u>	<u>59,450</u>
Total expenses	<u>5,884,801</u>	<u>5,536,392</u>
Change in net position	1,466,106	1,649,271
Net position - beginning of year	<u>14,858,278</u>	<u>13,209,007</u>
Net position - ending of year	<u>\$ 16,324,384</u>	<u>\$ 14,858,278</u>

As shown in the above statement the Town experienced an improvement in financial position of \$1,466,106 on the full accrual basis of accounting.

**Business-type Activities**

The table below provides a summary of the Town's net position of its business-type activities as of December 31, 2016 compared with 2015.



**TOWN OF PEMBROKE, NEW HAMPSHIRE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ending December 31, 2016

	<u>2016</u>	<u>2015</u>
Current and Other Assets:		
Capital assets	\$ 4,944,092	\$ 4,629,131
Other assets	<u>1,949,636</u>	<u>1,964,983</u>
Total Assets	<u>6,893,728</u>	<u>6,594,114</u>
Deferred Outflows of Resources	<u>59,001</u>	<u>18,852</u>
Long-term and Other Liabilities:		
Long-term obligations	958,595	750,987
Other liabilities	<u>109,126</u>	<u>180,935</u>
Total Liabilities	<u>1,067,721</u>	<u>931,922</u>
Deferred Inflows of Resources	<u>4,511</u>	<u>9,000</u>
Net Position:		
Net investment in capital assets	4,118,997	3,972,797
Unrestricted	<u>1,761,500</u>	<u>1,699,247</u>
Total Net Position	<u>\$ 5,880,497</u>	<u>\$ 5,672,044</u>

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

Changes in net position for the business-type activities for the year ending December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Program revenues:		
Charges for services	\$ 2,035,259	\$ 1,977,859
Total program revenues	<u>2,035,259</u>	<u>1,977,859</u>
General revenues:		
Interest and investment earnings	<u>439</u>	<u>367</u>
Total general revenues	<u>439</u>	<u>367</u>
Total revenues	<u>2,035,698</u>	<u>1,978,226</u>
Program expenses:		
Water distribution and treatment	739,347	771,461
Sanitation	<u>1,087,898</u>	<u>998,090</u>
Total expenses	<u>1,827,245</u>	<u>1,769,551</u>
Change in net position	208,453	208,675
Net position - beginning of year	<u>5,672,044</u>	<u>5,463,369</u>
Net position - ending of year	<u>\$ 5,880,497</u>	<u>\$ 5,672,044</u>

The main funding source for business-type activities is the charges for services. Net position increased by \$208,453 in 2016 due to revenues exceeding expenses in the water and sewer funds.



**TOWN OF PEMBROKE, NEW HAMPSHIRE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ending December 31, 2016**

**Financial Analysis of the Town's Funds**

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

**Governmental Funds**

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

**General Fund**

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the General Fund had a total fund balance of \$6,194,580. The fund balance components at year end are detailed on page 32 of the Notes to the Basic Financial Statements.

The General Fund balance increased by \$601,011 from December 31, 2015.

**TIF District Fund**

The TIF District Fund accounts for the financial transactions related to improvements to the Soucook River Tax Increment Financing District. A bond anticipation note was issued during the year ended December 31, 2016 in the amount of \$3,500,000. This bond anticipation note matures in July 2017 and is to be refinanced through the issuance of general obligation bonds. The fund balance as of December 31, 2016 is \$3,288,326.

**Other Governmental Funds**

The total fund balance of \$1,069,311 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 Ambulance Fund (\$650,619 or 60.8%) and the Conservation Commission Fund (\$234,238 or 21.9%). Fund balance of the other governmental funds increased by \$58,048 from December 31, 2015.

**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 \$1,761,500 at December 31, 2016, which is an increase of \$62,253 (or 3.66%) from December 31, 2015. The net investment in capital assets increased by \$146,200 (or 3.68%) from December 31, 2015.



**TOWN OF PEMBROKE, NEW HAMPSHIRE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ending December 31, 2016**

**Capital Assets and Long-Term Obligations**

**Capital Assets**

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

The Town's investment in capital assets for its governmental activities and business-type activities as of December 31, 2016 amounts to \$13,454,025 and \$4,944,092, respectively. This investment in capital assets includes infrastructure, buildings and improvements, vehicles and equipment. See Note 6 in the Notes to the Basic Financial Statements for a summary of all capital assets.

**Long-Term Obligations**

During 2016, the Town had a reduction in general obligation bonds in governmental activities of \$408,514 from payments made during the year and amortization of the bond premium. In addition, a \$3,500,000 bond anticipation note was issued for improvements to the TIF District.

The balance of the notes payable in the business-type activities decreased by \$76,408 during 2016 from payments made during the year. Other long-term obligations of \$223,502 at year end represents funds drawn down from a State Revolving Loan program to finance the replacement of the Bow Lane pumping station.

The Town also reports a net pension liability. This unfunded liability as of December 31, 2016 is \$4,150,452.

See Notes 8, 9, 10 and 11 in the Notes to the Basic Financial Statements for a summary of all outstanding long-term obligations.

**General Fund Budgetary Highlights**

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

Actual revenues and transfers in on the budgetary basis exceeded the budgeted amount by \$272,657. This is primarily due to receiving additional revenues of \$280,761 from licenses and permits.

The Town underexpended its budget by \$540,593 or 8.1% of the total appropriations. Significant savings were within public safety (\$280,950) and highways and streets (\$117,032).

**Economic Conditions**

The Town of Pembroke is a small bedroom community which abuts the communities of Concord, Bow, Allenstown, Epsom and Chichester. A large number of residents still exist from the days of the woven and textile mills, while most others commute to the City for employment. Pembroke is also the home of



**TOWN OF PEMBROKE, NEW HAMPSHIRE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ending December 31, 2016

Associated Grocers of New England, which is the largest taxpayer employing well over 300 people from all of the surrounding areas. In order to maintain a tax rate that does not stifle economic growth or tax the residents too heavily, the Town has set up a Capital Improvement program that it reviews and updates annually, while also looking at residential growth, to plan for future needs. By preparing an extensive CIP Plan, the Town has been able to pay for large scale purchases without the need to lease or bond. The Town is always looking for ways to modernize or streamline its operations. The Town of Pembroke participates with the Suncook Valley Regional Towns to purchase health insurance. This association has helped to control the escalating costs of health insurance over the years. One major change was when the Town went to automated single stream recycling in 2010. To date the Town has saved \$307,822 in fees for items that were recycled as opposed to being burned in the incinerator.

**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, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 16,889,775	\$ 565,837	\$ 17,455,612
Investments	75,043	30,027	105,070
Taxes receivable, net	688,367		688,367
Accounts receivable, net	89,491	517,506	606,997
Due from other governments	13,356		13,356
Prepaid expenses	1,347		1,347
Inventory		24,963	24,963
Internal balance	(811,303)	811,303	
Total Current Assets	<u>16,946,076</u>	<u>1,949,636</u>	<u>18,895,712</u>
Noncurrent Assets:			
Non-depreciable capital assets	6,132,064	415,783	6,547,847
Depreciable capital assets, net	<u>7,321,961</u>	<u>4,528,309</u>	<u>11,850,270</u>
Total Noncurrent Assets	<u>13,454,025</u>	<u>4,944,092</u>	<u>18,398,117</u>
Total Assets	<u>30,400,101</u>	<u>6,893,728</u>	<u>37,293,829</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources attributable to net pension liability	<u>997,344</u>	<u>59,001</u>	<u>1,056,345</u>
Total Deferred Outflows of Resources	<u>997,344</u>	<u>59,001</u>	<u>1,056,345</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	320,376	6,315	326,691
Retainage payable	119,121	21,667	140,788
Accrued expenses	198,588	1,669	200,257
Due to other governments	5,371,380		5,371,380
Deposits payable	934		934
Current portion of bonds payable	380,000		380,000
Current portion of bond anticipation notes payable	3,500,000		3,500,000
Current portion of notes payable		79,475	79,475
Current portion of estimated liability for landfill post-closure care costs	<u>7,000</u>		<u>7,000</u>
Total Current Liabilities	<u>9,897,399</u>	<u>109,126</u>	<u>10,006,525</u>
Noncurrent Liabilities:			
Bonds payable	890,912		890,912
Notes payable		500,451	500,451
Other long-term obligations		223,502	223,502
Compensated absences payable	36,412		36,412
Other post-employment benefits obligation	78,477	2,803	81,280
Estimated liability for landfill post-closure care costs	<u>175,000</u>		<u>175,000</u>
Net pension liability	<u>3,918,613</u>	<u>231,839</u>	<u>4,150,452</u>
Total Noncurrent Liabilities	<u>5,099,414</u>	<u>958,595</u>	<u>6,058,009</u>
Total Liabilities	<u>14,996,813</u>	<u>1,067,721</u>	<u>16,064,534</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources attributable to net pension liability	<u>76,248</u>	<u>4,511</u>	<u>80,759</u>
Total Deferred Inflows of Resources	<u>76,248</u>	<u>4,511</u>	<u>80,759</u>
<b>NET POSITION</b>			
Net investment in capital assets	10,823,531	4,118,997	14,942,528
Restricted	1,292,272		1,292,272
Unrestricted	<u>4,208,581</u>	<u>1,761,500</u>	<u>5,970,081</u>
Total Net Position	<u>\$ 16,324,384</u>	<u>\$ 5,880,497</u>	<u>\$ 22,204,881</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, 2016

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental Activities:						
General government	\$ 1,453,354	\$ 50,682			\$ (1,402,672)	\$ (1,402,672)
Public safety	2,415,118	405,955	\$ 213,842	\$ 167,165	(1,628,156)	(1,628,156)
Highways and streets	1,379,119	1,515	165,183		(1,212,421)	(1,212,421)
Sanitation	207,400	95,369			(112,031)	(112,031)
Health and welfare	66,135	1,807			(64,328)	(64,328)
Culture and recreation	316,311	41,864			(274,447)	(274,447)
Interest and fiscal charges	47,364				(47,364)	(47,364)
Total governmental activities	5,884,801	597,192	379,025	167,165	(4,741,419)	(4,741,419)
Business-type activities:						
Water Department	739,347	907,225			167,878	167,878
Sewer Department	1,087,898	1,128,034			40,136	40,136
Total business-type activities	1,827,245	2,035,259	-	-	208,014	208,014
Total primary government	\$ 7,712,046	\$ 2,632,451	\$ 379,025	\$ 167,165	(4,741,419)	(4,533,405)
General revenues:						
Property and other taxes					4,299,557	4,299,557
Licenses and permits					1,487,527	1,487,527
Grants and contributions:						
Rooms and meals tax distribution					366,517	366,517
Interest and investment earnings					21,525	21,964
Miscellaneous					32,399	32,399
Total general revenues					6,207,525	6,207,964
Change in net position					1,466,106	1,674,559
Net position - beginning					14,858,278	20,530,322
Net position - ending					\$ 16,324,384	\$ 22,204,881

See accompanying notes to the basic financial statements



EXHIBIT C  
**TOWN OF PEMBROKE, NEW HAMPSHIRE**  
**Balance Sheet**  
**Governmental Funds**  
December 31, 2016

	General <u>Fund</u>	TIF District <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 16,682,025		\$ 207,750	\$ 16,889,775
Investments			75,043	75,043
Taxes receivable, net	680,887		7,480	688,367
Accounts receivable, net	1,143		88,348	89,491
Due from other governments	13,356			13,356
Due from other funds	84,850	\$ 3,518,747	907,407	4,511,004
Prepaid expenses	1,347			1,347
Total Assets	<u>17,463,608</u>	<u>3,518,747</u>	<u>1,286,028</u>	<u>22,268,383</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Total Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 17,463,608</u>	<u>\$ 3,518,747</u>	<u>\$ 1,286,028</u>	<u>\$ 22,268,383</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 95,480	\$ 111,300	\$ 113,596	\$ 320,376
Retainage payable		119,121		119,121
Accrued expenses	144,169		18,271	162,440
Due to other governments	5,371,380			5,371,380
Deposits payable	934			934
Due to other funds	5,237,457		84,850	5,322,307
Total Liabilities	<u>10,849,420</u>	<u>230,421</u>	<u>216,717</u>	<u>11,296,558</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Uncollected property taxes	419,608			419,608
Total Deferred Inflows of Resources	<u>419,608</u>	<u>-</u>	<u>-</u>	<u>419,608</u>
<b>FUND BALANCES</b>				
Nonspendable	1,347		43,345	44,692
Restricted	8,738	3,288,326	92,281	3,389,345
Committed	1,897,524		912,089	2,809,613
Assigned	99,464		21,596	121,060
Unassigned	4,187,507			4,187,507
Total Fund Balances	<u>6,194,580</u>	<u>3,288,326</u>	<u>1,069,311</u>	<u>10,552,217</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 17,463,608</u>	<u>\$ 3,518,747</u>	<u>\$ 1,286,028</u>	<u>\$ 22,268,383</u>

*See accompanying notes to the basic financial statements*



EXHIBIT C-1  
**TOWN OF PEMBROKE, NEW HAMPSHIRE**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
December 31, 2016

Total Fund Balances - Governmental Funds (Exhibit C)	\$ 10,552,217
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.	13,454,025
Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis	419,608
Deferred outflows of resources and deferred inflows of resources that do not require or provide the use of current financial resources are not reported within the funds:	
Deferred outflows of resources attributable to net pension liability	997,344
Deferred inflows of resources attributable to net pension liability	(76,248)
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	(1,270,912)
Bond anticipation note payable	(3,500,000)
Accrued interest on long-term obligations	(36,148)
Compensated absences payable	(36,412)
Other post-employment benefits obligation	(78,477)
Estimated liability for landfill post-closure care costs	(182,000)
Net pension liability	<u>(3,918,613)</u>
Net Position of Governmental Activities (Exhibit A)	<u>\$ 16,324,384</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, 2016

	General Fund	TIF District Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 3,957,343	\$ 364,972	\$ 47,609	\$ 4,369,924
Licenses and permits	1,487,527			1,487,527
Intergovernmental	700,783		211,924	912,707
Charges for services	172,248		409,502	581,750
Interest and investment income	17,209		4,316	21,525
Miscellaneous	42,399		15,442	57,841
Total Revenues	<u>6,377,509</u>	<u>364,972</u>	<u>688,793</u>	<u>7,431,274</u>
Expenditures:				
Current operations:				
General government	1,306,098			1,306,098
Public safety	1,526,286		733,734	2,260,020
Highways and streets	1,053,748			1,053,748
Sanitation	214,400			214,400
Health and welfare	65,932			65,932
Culture and recreation	253,322		45,573	298,895
Capital outlay	661,797	1,359,581	93,762	2,115,140
Debt service:				
Principal retirement	382,000			382,000
Interest and fiscal charges	70,591			70,591
Total Expenditures	<u>5,534,174</u>	<u>1,359,581</u>	<u>873,069</u>	<u>7,766,824</u>
Excess of revenues over (under) expenditures	<u>843,335</u>	<u>(994,609)</u>	<u>(184,276)</u>	<u>(335,550)</u>
Other financing sources (uses):				
Proceeds from bond anticipation note issuance		3,500,000		3,500,000
Transfers in			242,324	242,324
Transfers out	<u>(242,324)</u>			<u>(242,324)</u>
Total other financing sources (uses)	<u>(242,324)</u>	<u>3,500,000</u>	<u>242,324</u>	<u>3,500,000</u>
Net change in fund balances	601,011	2,505,391	58,048	3,164,450
Fund balances at beginning of year	<u>5,593,569</u>	<u>782,935</u>	<u>1,011,263</u>	<u>7,387,767</u>
Fund balances at end of year	<u>\$ 6,194,580</u>	<u>\$ 3,288,326</u>	<u>\$ 1,069,311</u>	<u>\$ 10,552,217</u>

*See accompanying notes to the basic financial statements*



## EXHIBIT D-1

**TOWN OF PEMBROKE, NEW HAMPSHIRE****Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities**

For the Year Ended December 31, 2016

Net Change in Fund Balances--Total Governmental Funds	\$ 3,164,450
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	1,710,735
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss of disposed capital assets reduced by the actual proceeds received from the disposal.	(16,725)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These revenue sources are from property taxes.	(70,367)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	382,000
Governmental funds report the effect of bond issuance premiums when debt is first issued, whereas these amounts are unearned and amortized in the statement of activities.	26,514
Proceeds from bond anticipation note issuances are an other financing source in the funds, but increases long-term liabilities in the statement of net position.	(3,500,000)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(3,287)
Governmental funds report pension contributions as expenditures. However, in the statement of activities, pension expense reflects the changes in the net pension liability and related deferred outflows and inflows of resources, and does not require the use of current financial resources. This is the amount by which pension expense exceeded pension contributions in the current period.	(225,185)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These expenses are from the following activities:	
Compensated absences	(3,445)
Other post-employment benefits	(5,584)
Estimated liability for landfill post-closure care costs	<u>7,000</u>
Change in Net Position of Governmental Activities (Exhibit B)	<u>\$ 1,466,106</u>

*See accompanying notes to the basic financial statements*



EXHIBIT E  
**TOWN OF PEMBROKE, NEW HAMPSHIRE**  
**Statement of Net Position**  
**Proprietary Funds**  
December 31, 2016

	Business-type Activities		
	Water <u>Fund</u>	Sewer <u>Fund</u>	<u>Totals</u>
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 87,007	\$ 478,830	\$ 565,837
Investments	30,027		30,027
Accounts receivable, net	198,271	319,235	517,506
Due from other funds	357,080	454,223	811,303
Inventory	24,963		24,963
Total Current Assets	<u>697,348</u>	<u>1,252,288</u>	<u>1,949,636</u>
Noncurrent Assets:			
Non-depreciable capital assets	31,935	383,848	415,783
Depreciable capital assets, net	3,168,839	1,359,470	4,528,309
Total Noncurrent Assets	<u>3,200,774</u>	<u>1,743,318</u>	<u>4,944,092</u>
Total Assets	<u>3,898,122</u>	<u>2,995,606</u>	<u>6,893,728</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources attributable to net pension liability		59,001	59,001
Total Deferred Outflows of Resources	<u>-</u>	<u>59,001</u>	<u>59,001</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	4,888	1,427	6,315
Retainage payable		21,667	21,667
Accrued expenses	1,669		1,669
Current portion of note payable	79,475		79,475
Total Current Liabilities	<u>86,032</u>	<u>23,094</u>	<u>109,126</u>
Noncurrent Liabilities:			
Note payable	500,451		500,451
Other long-term obligations		223,502	223,502
Other post-employment benefits obligation		2,803	2,803
Net pension liability		231,839	231,839
Total Noncurrent Liabilities	<u>500,451</u>	<u>458,144</u>	<u>958,595</u>
Total Liabilities	<u>586,483</u>	<u>481,238</u>	<u>1,067,721</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources attributable to net pension liability		4,511	4,511
Total Deferred Inflows of Resources	<u>-</u>	<u>4,511</u>	<u>4,511</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,620,848	1,498,149	4,118,997
Unrestricted	690,791	1,070,709	1,761,500
Total Net Position	<u>\$ 3,311,639</u>	<u>\$ 2,568,858</u>	<u>\$ 5,880,497</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, 2016

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
Operating revenues:			
Charges for services, net	\$ 892,150	\$ 1,098,817	\$ 1,990,967
Miscellaneous revenues	15,075	29,217	44,292
Total operating revenues	<u>907,225</u>	<u>1,128,034</u>	<u>2,035,259</u>
Operating expenses:			
Personnel services	279,249	230,119	509,368
Contractual services	60,849	575,230	636,079
Materials and supplies	114,952	5,020	119,972
Maintenance and repairs	21,228	107,941	129,169
Utilities	69,643	18,560	88,203
Depreciation	137,863	133,325	271,188
Miscellaneous expenses	32,215	17,703	49,918
Total operating expenses	<u>715,999</u>	<u>1,087,898</u>	<u>1,803,897</u>
Operating income	<u>191,226</u>	<u>40,136</u>	<u>231,362</u>
Non-operating revenues (expenses):			
Interest revenue	231	208	439
Interest expense	<u>(23,348)</u>		<u>(23,348)</u>
Net non-operating revenues (expenses)	<u>(23,117)</u>	<u>208</u>	<u>(22,909)</u>
Change in net position	168,109	40,344	208,453
Total net position at beginning of year	<u>3,143,530</u>	<u>2,528,514</u>	<u>5,672,044</u>
Total net position at end of year	<u>\$ 3,311,639</u>	<u>\$ 2,568,858</u>	<u>\$ 5,880,497</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, 2016

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 916,493	\$ 1,147,213	\$ 2,063,706
Cash paid to suppliers	(346,982)	(801,551)	(1,148,533)
Cash paid to employees	(222,078)	(149,375)	(371,453)
Net cash provided by operating activities	<u>347,433</u>	<u>196,287</u>	<u>543,720</u>
Cash flows from capital and related financing activities:			
Purchases of capital assets	(318,831)	(321,285)	(640,116)
Proceeds of other long-term obligations		223,502	223,502
Principal paid on long-term debt	(76,408)		(76,408)
Interest paid on long-term debt	(23,348)		(23,348)
Net cash used for capital and related financing activities	<u>(418,587)</u>	<u>(97,783)</u>	<u>(516,370)</u>
Cash flows from investing activities:			
Purchase of investments	(194)		(194)
Interest on investments	231	208	439
Net cash provided by investing activities	<u>37</u>	<u>208</u>	<u>245</u>
Net increase (decrease) in cash and cash equivalents	(71,117)	98,712	27,595
Cash and cash equivalents at beginning of year	515,204	834,341	1,349,545
Cash and cash equivalents at end of year	<u>\$ 444,087</u>	<u>\$ 933,053</u>	<u>\$ 1,377,140</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 191,226	\$ 40,136	\$ 231,362
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	137,863	133,325	271,188
Change in deferred outflows related to pension		(40,149)	(40,149)
Change in deferred inflows related to pension		(3,679)	(3,679)
Changes in assets and liabilities:			
Accounts receivable	9,268	19,179	28,447
Inventory	13,879		13,879
Accounts payable	(1,190)	(15,998)	(17,188)
Accrued expenses	(3,613)		(3,613)
Other post-employment benefits obligation		(2,404)	(2,404)
Net pension liability		65,877	65,877
Net cash provided by operating activities	<u>\$ 347,433</u>	<u>\$ 196,287</u>	<u>\$ 543,720</u>
Non-cash transactions affecting financial position:			
Capital asset additions included in year end liabilities	<u>\$ -</u>	<u>\$ 21,667</u>	<u>\$ 21,667</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, 2016

	Agency Funds
<b>ASSETS</b>	
Cash and cash equivalents	\$ 908,091
Investments	<u>928,113</u>
Total Assets	<u><u>\$ 1,836,204</u></u>
<b>LIABILITIES</b>	
Deposits	\$ 51,051
Due to other governments	<u>1,785,153</u>
Total Liabilities	<u><u>\$ 1,836,204</u></u>

*See accompanying notes to the basic financial statements*



**TOWN OF PEMBROKE, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2016**

**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, 2016**

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 are the Town's major governmental funds:

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

The *TIF District Fund* accounts for the financial transactions related to improvements to the Soucook River Tax Increment Financing District.

**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, 2016**

***Measurement Focus***

**1. Government-Wide Financial Statements:**

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

**2. Fund Financial Statements:**

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

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

***Basis of Accounting***

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

**1. Revenues – Exchange and Non-exchange Transactions:**

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

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



**TOWN OF PEMBROKE, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

grants, 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, charges for services and interest on investments.

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

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

**2. Expenses/Expenditures:**

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

***Budgetary Data***

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

State law requires balanced budgets but permits the use of beginning fund balance to reduce the property tax rate. For the year ended December 31, 2016, the Town applied \$400,000 of its unassigned fund balance to reduce taxes.

***Investments***

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

***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.



**TOWN OF PEMBROKE, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

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.

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

***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.



**TOWN OF PEMBROKE, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

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

***Bond Premium***

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

***Accrued Liabilities and Long-Term Obligations***

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

***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Hampshire Retirement System (NHRS) and additions to/deductions from NHRS's fiduciary net position have been determined on the same basis as they are reported by NHRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

***Net Position***

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

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



**TOWN OF PEMBROKE, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

***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.

***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.



**TOWN OF PEMBROKE, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

***Interfund Activity***

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

***Operating Revenues and Expenses***

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

***Estimates***

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

**NOTE 2—DEPOSITS AND INVESTMENTS**

Deposits and investments as of December 31, 2016 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 17,455,612
Investments	105,070
Statement of Fiduciary Net Position:	
Cash and cash equivalents	908,091
Investments	928,113
Total deposits and investments	<u>\$ 19,396,886</u>

Deposits and investments as of December 31, 2016 consist of the following:

Cash on hand	\$ 1,198
Deposits with financial institutions	18,392,338
Investments	1,003,350
Total deposits and investments	<u>\$ 19,396,886</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.



**TOWN OF PEMBROKE, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

***Credit Risk***

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

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

<u>Investment Type</u>	<u>Not rated</u>
Open end mutual funds	\$ 99,099
Closed end mutual funds	8,350
Money market mutual funds	63,209
	<u>\$ 170,658</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.

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, \$17,425,728 was collateralized by securities held by the bank in the bank's name, and \$126,826 was uninsured and uncollateralized.

As of December 31, 2016, 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	\$ 832,498
Closed end mutual funds	8,350
	<u>\$ 840,848</u>

***Fair Value***

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.



**TOWN OF PEMBROKE, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

The Town has the following recurring fair value measurements as of December 31, 2016:

<u>Description</u>		<u>Fair Value Measurements Using:</u>		
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments by fair value level:				
Equity securities	\$ 832,498	\$ 832,498		
Closed end mutual funds	8,350	8,350		
	<u>\$ 840,848</u>	<u>\$ 840,848</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 3—CASH AND CASH EQUIVALENTS**

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

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
Cash and cash equivalents	\$ 87,007	\$ 478,830	\$ 565,837
Due from other funds	357,080	454,223	811,303
Total cash and cash equivalents	<u>\$ 444,087</u>	<u>\$ 933,053</u>	<u>\$ 1,377,140</u>

**NOTE 4—TAXES RECEIVABLE**

Taxes levied during the current year and prior and uncollected at December 31, 2016 are recorded as receivables net of reserves for estimated uncollectibles of \$149,447.

**NOTE 5—ACCOUNTS RECEIVABLE**

Accounts receivable are recorded net of reserves for estimated uncollectibles of \$327,101 in the ambulance fund (a nonmajor governmental fund) and \$41,589 in the sewer fund.

**NOTE 6—CAPITAL ASSETS**

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

	<u>Balance 01/01/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/16</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 2,602,925			\$ 2,602,925
Easements	608,579			608,579
Construction in progress	833,461	\$ 2,087,099		2,920,560
Total capital assets not being depreciated	<u>4,044,965</u>	<u>2,087,099</u>	<u>\$ -</u>	<u>6,132,064</u>



**TOWN OF PEMBROKE, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

	Balance 01/01/16	Additions	Reductions	Balance 12/31/16
Other capital assets:				
Intangible assets	60,960			60,960
Infrastructure	4,843,835			4,843,835
Buildings and improvements	3,884,886			3,884,886
Vehicles and equipment	6,230,908	71,885	(189,435)	6,113,358
Total other capital assets at historical cost	15,020,589	71,885	(189,435)	14,903,039
Less accumulated depreciation for:				
Intangible assets	(18,288)	(6,096)		(24,384)
Infrastructure	(717,100)	(121,096)		(838,196)
Buildings and improvements	(2,836,717)	(89,043)		(2,925,760)
Vehicles and equipment	(3,733,434)	(232,014)	172,710	(3,792,738)
Total accumulated depreciation	(7,305,539)	(448,249)	172,710	(7,581,078)
Total other capital assets, net	7,715,050	(376,364)	(16,725)	7,321,961
Total capital assets, net	\$ 11,760,015	\$ 1,710,735	\$ (16,725)	\$ 13,454,025

Depreciation expense was charged to governmental functions as follows:

General government	\$ 87,420
Public safety	105,757
Highways and streets	253,857
Culture and recreation	1,215
Total governmental activities depreciation expense	\$ 448,249

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

	Balance 01/01/16	Additions	Reductions	Balance 12/31/16
Business-type activities:				
Capital assets not depreciated:				
Land	\$ 72,831			\$ 72,831
Construction in progress	509,889	\$ 342,952	\$ (509,889)	342,952
Total capital assets not being depreciated	582,720	342,952	(509,889)	415,783
Other capital assets:				
Intangible assets	41,900			41,900
Building and improvements	272,333			272,333
Water infrastructure	2,373,456	534,183		2,907,639
Sewer infrastructure	3,417,224			3,417,224
Machinery, vehicles, and equipment	3,104,556	218,903		3,323,459
Other	29,865			29,865
Total other capital assets at historical cost	9,239,334	753,086	-	9,992,420



**TOWN OF PEMBROKE, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

	Balance 01/01/16	Additions	Reductions	Balance 12/31/16
Less accumulated depreciation for:				
Intangible assets	(9,990)	(4,190)		(14,180)
Building and improvements	(214,426)	(5,791)		(220,217)
Water infrastructure	(1,004,674)	(56,607)		(1,061,281)
Sewer infrastructure	(2,070,040)	(113,907)		(2,183,947)
Machinery, vehicles, and equipment	(1,863,928)	(90,693)		(1,954,621)
Other	(29,865)			(29,865)
Total accumulated depreciation	(5,192,923)	(271,188)	-	(5,464,111)
Total other capital assets, net	4,046,411	481,898	-	4,528,309
Total capital assets, net	<u>\$ 4,629,131</u>	<u>\$ 824,850</u>	<u>\$ (509,889)</u>	<u>\$ 4,944,092</u>

Depreciation expense was charged to the proprietary funds as follows:

Water Fund	\$ 137,863
Sewer Fund	133,325
Total business-type activities depreciation expense	<u>\$ 271,188</u>

**NOTE 7—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, 2016 are as follows:

	General Fund	Due from Nonmajor Governmental Funds	Totals
General Fund		\$ 84,850	\$ 84,850
TIF District Fund	\$ 3,518,747		3,518,747
Nonmajor Governmental Funds	907,407		907,407
Water Fund	357,080		357,080
Sewer Fund	454,223		454,223
	<u>\$ 5,237,457</u>	<u>\$ 84,850</u>	<u>\$ 5,322,307</u>

During the year, several interfund transactions occurred between funds. The transfer out of the General Fund was made in accordance with budgetary authorizations. During the year ended December 31, 2016, the General Fund transferred \$242,324 to the Nonmajor Governmental Funds.

**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, 2016 are as follows:



**TOWN OF PEMBROKE, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

	Balance 01/01/16	Additions	Reductions	Balance 12/31/16	Due Within One Year
<i>Governmental activities:</i>					
Bonds payable	\$ 1,632,000		\$ (382,000)	\$ 1,250,000	\$ 380,000
Unamortized bond premium	47,426		(26,514)	20,912	
Total bonds payable	1,679,426	\$ -	(408,514)	1,270,912	380,000
Bond anticipation notes payable		3,500,000		3,500,000	3,500,000
Compensated absences payable	32,967	7,094	(3,649)	36,412	
Total governmental activities	<u>\$ 1,712,393</u>	<u>\$ 3,507,094</u>	<u>\$ (412,163)</u>	<u>\$ 4,807,324</u>	<u>\$ 3,880,000</u>
<i>Business-type activities:</i>					
Notes payable	\$ 656,334		\$ (76,408)	\$ 579,926	\$ 79,475
Other long-term obligations		\$ 223,502		223,502	
Total business-type activities	<u>\$ 656,334</u>	<u>\$ 223,502</u>	<u>\$ (76,408)</u>	<u>\$ 803,428</u>	<u>\$ 79,475</u>

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

**Governmental Activities**

***Bonds payable***

Bonds payable at December 31, 2016 are comprised of the following individual issues:

\$2,560,000, 2003 Safety complex and refunding, due in annual installments of \$100,000 through July 2023, interest at 3.25-4.6%	\$ 700,000
\$832,000, 2014 Roadway Improvement bonds, due in varying annual installments of \$270,000 - \$282,000 through February 2018, interest at 5.10%	550,000
	1,250,000
Add: Unamortized bond premium	20,912
	<u>\$ 1,270,912</u>

Debt service requirements to retire general obligation bonds outstanding for governmental activities at December 31, 2016 are as follows:

Year Ending December 31,	Principal	Interest	Totals
2017	\$ 380,000	\$ 52,110	\$ 432,110
2018	370,000	33,835	403,835
2019	100,000	22,600	122,600
2020	100,000	18,150	118,150
2021	100,000	13,650	113,650
2022-2023	200,000	13,750	213,750
Total	1,250,000	154,095	1,404,095
Add: Bond Premium	20,912		20,912
	<u>\$ 1,270,912</u>	<u>\$ 154,095</u>	<u>\$ 1,425,007</u>



**TOWN OF PEMBROKE, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

***Bond Anticipation Notes***

During August 2016, the Town issued a \$3,500,000 bond anticipation note to finance the construction of continuing the Loop Road. This bond anticipation note has an interest rate of 0.90% and matures on July 21, 2017.

**Business-type Activities**

***Notes payable***

The notes payable at December 31, 2016 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	\$ 217,436
\$250,000, 2015 Water line construction note, due in monthly installments of \$2,449, including interest at 3.30%, through May 2025	215,745
\$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	146,745
	<u>\$ 579,926</u>

Debt service requirements to retire the notes payable for business-type activities at December 31, 2016 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 79,475	\$ 20,281	\$ 99,756
2018	82,550	17,206	99,756
2019	201,216	10,411	211,627
2020	77,778	6,280	84,058
2021	44,032	3,736	47,768
2022-2025	94,875	5,551	100,426
	<u>\$ 579,926</u>	<u>\$ 63,465</u>	<u>\$ 643,391</u>

***Other Long-Term Obligations***

The Town has drawn \$223,502 of approximately \$800,000 in funds under the State of New Hampshire Water Pollution Control Revolving Loan Fund Program for the Bow Lane Pump Station Upgrade and Asset Management Plan. The Town shall be provided financial assistance, contingent upon the availability of funds, whereby up to 5% of the total disbursements for wastewater related portions, not to exceed \$40,000, will be forgiven upon the initial repayment of the loan. An additional \$30,000 in principal forgiveness, contingent upon the availability of funds, will be applied to the loan upon the initial repayment if the Town has in place an asset management plan for the wastewater system that meets the State's guidelines.



**TOWN OF PEMBROKE, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

Payments are not scheduled to commence until the first day of the month following the first anniversary of the substantial completion date of the project or the first anniversary of the scheduled completion date of the project, whichever is earlier. The scheduled completion date is August 2, 2018. Interest is accrued at 1% during the construction period of the project and is to be paid upon completion of the construction project within the following year.

***Authorized and Unissued Debt***

As of December 31, 2016, the Town had the following debt authorized and unissued:

<u>Description</u>	<u>Amount</u>
Loop Road construction	\$ 500,000
Roadway improvement and reconstruction	904,000
Bow Lane pumping station	800,000
Water line improvements	50,000
	<u>\$ 2,254,000</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 \$182,000 as of December 31, 2016. 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, 2016. However, the actual cost of post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The following is a summary of changes in the estimated liability for post-closure care cost for the year ended December 31, 2016:

Balance - January 1, 2016	\$ 189,000
Change in estimated liability	(430)
Expenditures recognized in General Fund	<u>(6,570)</u>
Balance - December 31, 2016	<u>\$ 182,000</u>

**NOTE 10—DEFINED BENEFIT PENSION PLAN**

***Plan Description***

The Town contributes to the New Hampshire Retirement System (NHRS), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*. The New Hampshire Retirement System is a public employee retirement system that administers a cost-sharing multiple-employer defined benefit pension plan. The plan provides service, disability, death and vested retirement allowances to plan members and beneficiaries. Benefit provisions are established and may be amended by the New Hampshire State legislature.



**TOWN OF PEMBROKE, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

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

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

The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II. All assets are held in a single trust and are available to pay retirement benefits to all members.

***Benefits Provided***

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC), multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

Group II members vested by January 1, 2012, who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have not attained status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the benefit commencement date precedes the month after which the member attains 52.5 years of age by  $\frac{1}{4}$  of 1% or age 60. For Group II members who commenced service prior to July 1, 2011, who have not attained vested status prior to January 1, 2012, benefits are calculated depending on age and years of creditable service as follows:

Years of Creditable Service as of <u>January 1, 2012</u>	<u>Minimum Age</u>	<u>Minimum Service</u>	<u>Benefit Multiplier</u>
At least 3 but less than 10 years	46	21	2.4%
At least 6 but less than 8 years	47	22	2.3%
At least 4 but less than 6 years	48	23	2.2%
Less than 4 years	49	24	2.1%

Members may qualify for vested deferred allowances, disability allowances and death benefit allowances subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation and/or service.

***Funding Policy***

Covered police officers and firefighters are required to contribute 11.55% and 11.80%, respectively of their covered salary, whereas general employees are required to contribute 7.0% of their covered salary.



**TOWN OF PEMBROKE, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

The Town is required to contribute at an actuarially determined rate. The Town's pension contribution rates for the covered payroll of police officers, firefighters, and general employees were 22.54%, 25.32%, and 10.86%, respectively. The Town contributed 100% of the employer cost for public safety and general employees of the Town.

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The Town's pension contributions to the NHRS were \$255,160 for the year ending December 31, 2016.

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

At December 31, 2016, the Town reported a liability of \$4,150,432 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by a roll forward of the actuarial valuation from June 30, 2015. The Town's proportion of the net pension liability was based on actual contributions by the Town during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2016, the Town's proportion was approximately 0.0789 percent, which was a decrease of 0.0008 percentage points from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Town recognized pension expense of \$502,550. At December 31, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,534	\$ 52,410
Net difference between projected and actual earnings on pension plan investments	259,672	
Changes of assumptions	510,786	
Changes in proportion and differences between Town contributions and share of contributions	159,266	28,349
Town contributions subsequent to the measurement date	115,087	
Totals	<u>\$ 1,056,345</u>	<u>\$ 80,759</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to pension is reflected as an increase to unrestricted net position in the amount of \$975,586. The Town reported \$115,087 as deferred outflows of resources related to pension resulting from Town contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the measurement period ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the measurement periods as follows:



**TOWN OF PEMBROKE, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

<u>June 30,</u>	
2017	\$ 187,917
2018	187,917
2019	273,593
2020	201,981
2021	9,091
	<u>\$ 860,499</u>

***Actuarial Assumptions***

The total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2015, using the following actuarial assumptions:

Inflation	2.5 percent
Wage inflation	3.25 percent
Salary increases	5.6 percent, average, including inflation
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on the last experience study. Retirement rates were based on a table of rates that are specific to the type of eligibility condition, last updated in 2015 pursuant to an experience study of the period July 1, 2010 – June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of weighted average long-term expected real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Net of inflation assumption of 2.5%)</u>
Fixed income	25%	(0.25)-1.71%
Domestic equity	30%	4.25-4.50%
International equity	20%	4.75-6.25%
Real estate	10%	3.25%
Private equity	5%	6.25%
Private debt	5%	4.75%
Opportunistic	5%	3.68%
Total	<u>100%</u>	



**TOWN OF PEMBROKE, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

***Discount Rate***

The discount rate used to measure the collective pension liability was 7.25%, a decrease of .50% from the June 30, 2015 measurement date. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer contributions are projected based on the expected payroll of current members only. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the collective pension liability.

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

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

	1% Decrease (6.25%)	Discount rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability	\$ 5,333,022	\$ 4,150,432	\$ 3,169,661

**NOTE 11—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, 2016, the actuarial valuation date, participants of the postretirement plan that meet eligibility requirements are comprised of 4 retirees and 34 active employees with 11 currently eligible to retire. The plan does not issue a separate financial report.

***Annual OPEB Costs***

The Town's fiscal 2016 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



**TOWN OF PEMBROKE, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

December 31, 2016 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, 2016 is as follows:

Annual required contribution	\$ 67,532
Interest on net OPEB obligation	3,124
NOO amortization adjustment to ARC	<u>(3,103)</u>
Annual OPEB cost	67,553
Contributions made	<u>(64,373)</u>
Increase in net OPEB obligation	3,180
Net OPEB obligation - beginning of year	<u>78,100</u>
Net OPEB obligation - end of year	<u>\$ 81,280</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, 2016, 2015 and 2014 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
12/31/2016	\$ 67,553	95.3%	\$ 81,280
12/31/2015	\$ 64,573	107.3%	\$ 78,100
12/31/2014	\$ 64,572	92.6%	\$ 82,811

The Town's net OPEB obligation as of December 31, 2016 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, 2016, the date of the most recent actuarial valuation is as follows:

Actuarial Accrued Liability (AAL)	\$ 868,754
Actuarial value of plan assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 868,754</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$ 2,040,660
UAAL as a percentage of covered payroll	42.6%

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 RPH-2015 Total Dataset Mortality Table fully generational using Scale MP-2015. 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



**TOWN OF PEMBROKE, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

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.

***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, 2016 actuarial valuation, the Projected Unit Credit cost method with linear proration to decrement was used. The actuarial value of assets was not determined as the Town has not advanced 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 9 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 12—PROPERTY TAXES**

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$602,027,624 as of April 1, 2016) and are due in two installments on July 1, 2016 and December 16, 2016. 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.

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 \$11,366,442 and \$1,754,172 for the Pembroke School District and Merrimack County, respectively. These taxes are not recognized as revenues in these financial statements. At December 31, 2016, the balance of the property tax appropriation due to the Pembroke School District is \$5,366,442. The Town bears responsibility for uncollected taxes.

**NOTE 13—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, 2016**

	Governmental Activities
Permanent Funds - Principal	\$ 43,345
Permanent Funds - Income	36,379
Road Improvements	37,255
Tax Increment Financing District	1,147,908
Christmas Donations Fund	2,017
Police Grants Fund	9,039
Grants Fund	7,591
Library Fund	8,738
	<u>\$ 1,292,272</u>

**NOTE 14—COMPONENTS OF FUND BALANCE**

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

<u>Fund Balances</u>	<u>General Fund</u>	<u>TIF District Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Nonspendable:</b>				
Permanent Funds - Principal			\$ 43,345	\$ 43,345
Prepaid expenses	\$ 1,347			1,347
<b>Restricted for:</b>				
Permanent Funds - Income			36,379	36,379
Road Improvements			37,255	37,255
Tax Increment Financing District		\$ 3,288,326		3,288,326
Christmas Donations Fund			2,017	2,017
Police Grants Fund			9,039	9,039
Grants Fund			7,591	7,591
Library operations	8,738			8,738
<b>Committed for:</b>				
Police Details Fund			27,232	27,232
Conservation Commission			234,238	234,238
Ambulance Fund			650,619	650,619
Expendable Trust Funds	1,562,524			1,562,524
Encumbrances	335,000			335,000
<b>Assigned for:</b>				
Recreation Fund			21,501	21,501
Town Clock Fund			95	95
Encumbrances	99,464			99,464
<b>Unassigned:</b>				
Unassigned - General operations	4,187,507			4,187,507
	<u>\$ 6,194,580</u>	<u>\$ 3,288,326</u>	<u>\$ 1,069,311</u>	<u>\$ 10,552,217</u>



**TOWN OF PEMBROKE, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

**NOTE 15—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, 2016, 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, 2016.

***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 16—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.

**NOTE 17—SUBSEQUENT EVENTS**

***Bond Issuance***

During July 2017, the Town issued general obligation bonds in the amount of \$3,500,000 for the purpose of refinancing the bond anticipation notes previously issued for construction of continuing the Loop



**TOWN OF PEMBROKE, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

Road. Of the total bonds issued, \$499,000 represents a premium received on the bonds. These bonds have an interest rate of 4.10% – 5.10% and mature August 2032.

***Other Long-Term Obligations***

Through September 14, 2017, the Town has drawn down an additional \$545,729 on its existing Water Pollution Control Revolving Loan Fund Program.



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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Taxes	\$ 3,860,746	\$ 3,860,746	\$ 3,886,976	\$ 26,230
Licenses and permits	1,206,766	1,206,766	1,487,527	280,761
Intergovernmental	677,412	677,412	700,783	23,371
Charges for services	109,801	109,801	172,248	62,447
Interest and investment income	6,000	6,000	17,054	11,054
Miscellaneous	35,900	35,900	38,654	2,754
Total Revenues	<u>5,896,625</u>	<u>5,896,625</u>	<u>6,303,242</u>	<u>406,617</u>
Expenditures:				
Current:				
General government	1,240,660	1,240,660	1,242,646	(1,986)
Public safety	1,814,720	1,814,720	1,533,770	280,950
Highways and streets	1,193,768	1,193,768	1,076,736	117,032
Sanitation	264,800	264,800	214,400	50,400
Health and welfare	111,229	111,229	65,932	45,297
Culture and recreation	40,979	40,979	29,978	11,001
Economic development	355	355	-	355
Capital outlay	798,647	798,647	761,104	37,543
Debt service:				
Principal retirement	382,000	382,000	382,000	-
Interest and fiscal charges	70,592	70,592	70,591	1
Total Expenditures	<u>5,917,750</u>	<u>5,917,750</u>	<u>5,377,157</u>	<u>540,593</u>
Excess of revenues over (under) expenditures	<u>(21,125)</u>	<u>(21,125)</u>	<u>926,085</u>	<u>947,210</u>
Other financing sources (uses):				
Transfers in	405,435	405,435	271,475	(133,960)
Transfers out	(784,310)	(784,310)	(784,310)	-
Total other financing sources (uses)	<u>(378,875)</u>	<u>(378,875)</u>	<u>(512,835)</u>	<u>(133,960)</u>
Net change in fund balance	(400,000)	(400,000)	413,250	813,250
Fund balance at beginning of year				
- Budgetary Basis	<u>4,195,212</u>	<u>4,195,212</u>	<u>4,195,212</u>	<u>-</u>
Fund balance at end of year				
- Budgetary Basis	<u>\$ 3,795,212</u>	<u>\$ 3,795,212</u>	<u>\$ 4,608,462</u>	<u>\$ 813,250</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, 2016

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2016	\$ -	\$ 868,754	\$ 868,754	0%	\$ 2,040,660	42.6%
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*



SCHEDULE 3

**TOWN OF PEMBROKE, NEW HAMPSHIRE**

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

For the Year Ended December 31, 2016

	For the Measurement Period Ended June 30:			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Town's proportion of the net pension liability (asset)	0.0781%	0.0789%	0.0749%	0.0723%
Town's proportionate share of the net pension liability (asset)	\$ 4,150,432	\$ 3,125,675	\$ 2,812,447	\$ 3,109,853
Town's covered-employee payroll	\$ 1,927,365	\$ 1,883,624	\$ 1,737,816	\$ 1,626,500
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	215.34%	165.94%	161.84%	191.20%
Plan fiduciary net position as a percentage of the total pension liability	58.30%	65.47%	66.32%	59.81%

*See accompanying notes to the required supplementary information*



## SCHEDULE 4

## TOWN OF PEMBROKE, NEW HAMPSHIRE

## Schedule of Town Contributions

For the Year Ended December 31, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 255,160	\$ 274,762	\$ 252,319	\$ 210,019
Contributions in relation to the contractually required contribution	<u>(255,160)</u>	<u>(274,762)</u>	<u>(252,319)</u>	<u>(210,019)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 1,841,857	\$ 1,908,543	\$ 1,812,810	\$ 1,683,999
Contributions as a percentage of covered-employee payroll	13.85%	14.40%	13.92%	12.47%

*See accompanying notes to the required supplementary information*



**TOWN OF PEMBROKE, NEW HAMPSHIRE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2016**

**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	\$ 6,377,509	\$ 5,776,498
Difference in property taxes meeting susceptible to accrual criteria	(70,367)	
Encumbrances - December 31, 2016		434,464
Encumbrances - December 31, 2015		(306,411)
Non-budgetary revenues and expenditures	(3,900)	(285,070)
Budgetary transfers in and out	271,475	541,986
Per Schedule 1	<u>\$ 6,574,717</u>	<u>\$ 6,161,467</u>

**NOTE 2—BUDGETARY FUND BALANCES**

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

<b>Nonspendable:</b>	
Prepaid expenses	\$ 1,347
<b>Unassigned:</b>	
Unassigned - General operations	4,607,115
	<u>\$ 4,608,462</u>

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

In accordance with GASB Statement #68, *Accounting and Financial Reporting for Pensions*, the Town is required to disclose historical information for each of the prior ten years within a schedule of changes in the Town's proportionate share of the net pension liability and schedule of Town contributions. The Town implemented the provisions of GASB Statement #68 during the year ended December 31, 2015. Accordingly, the historic information has only been presented for those years which information was readily available. Additional disclosures will be made in future years as the information becomes available.



**TOWN OF PEMBROKE, NEW HAMPSHIRE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**  
**December 31, 2016**

**NOTE 4—CHANGES OF ACTUARIAL ASSUMPTIONS**

For the June 30, 2015 actuarial valuation, the New Hampshire Retirement System included changes in the valuation and economic assumptions previously used in the June 30, 2014 actuarial valuation. The investment rate of return was reduced from 7.75% to 7.25%. The price inflation was decreased from 3.0% to 2.5%. The wage inflation was decreased from 3.75% to 3.25%. The salary increases were decreased from 5.8% to 5.6%. In addition, the expectation of retired life mortality was based on RP-2000 Mortality Tables. Amounts reported in the June 30, 2015 actuarial valuation are based on the RP-2014 employee generational mortality table for males and females, adjusted for mortality improvements using Scale MP-2015.



SCHEDULE A  
**TOWN OF PEMBROKE, NEW HAMPSHIRE**  
**Combining Balance Sheet**  
**Governmental Funds - All Nonmajor Funds**  
December 31, 2016

	Total Special Revenue Funds	Road Improvements Capital Projects Fund	Permanent Funds	Total Nonmajor Funds
<b>ASSETS</b>				
Cash and cash equivalents		\$ 203,069	\$ 4,681	\$ 207,750
Investments			75,043	75,043
Taxes receivable, net	\$ 7,480			7,480
Accounts receivable, net	88,348			88,348
Due from other funds	907,407			907,407
Total Assets	<u>1,003,235</u>	<u>203,069</u>	<u>79,724</u>	<u>1,286,028</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Total Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 1,003,235</u>	<u>\$ 203,069</u>	<u>\$ 79,724</u>	<u>\$ 1,286,028</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 32,632	\$ 80,964		\$ 113,596
Accrued expenses	18,271			18,271
Due to other funds		84,850		84,850
Total Liabilities	<u>50,903</u>	<u>\$ 165,814.00</u>	<u>\$ -</u>	<u>216,717</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Total Deferred Inflows of Resources	-	-	-	-
<b>FUND BALANCES</b>				
Nonspendable			43,345	43,345
Restricted	18,647	37,255	36,379	92,281
Committed	912,089			912,089
Assigned	21,596			21,596
Total Fund Balances	<u>952,332</u>	<u>37,255</u>	<u>79,724</u>	<u>1,069,311</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,003,235</u>	<u>\$ 203,069</u>	<u>\$ 79,724</u>	<u>\$ 1,286,028</u>



SCHEDULE A-1  
TOWN OF PEMBROKE, NEW HAMPSHIRE  
Combining Balance Sheet  
Governmental Funds - All Nonmajor Special Revenue Funds  
December 31, 2016

	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		\$ 5,610				\$ 7,480		\$ 82,738	\$ 7,480
Accounts receivable, net	\$ 21,501	21,622	\$ 2,017	\$ 95	\$ 9,039	226,758	\$ 7,956	618,419	88,348
Due from other funds	21,501	27,232	2,017	95	9,039	234,238	7,956	701,157	907,407
Total Assets									1,003,235
DEFERRED OUTFLOWS OF RESOURCES									
Total Deferred Outflows of Resources	-	-	-	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 21,501	\$ 27,232	\$ 2,017	\$ 95	\$ 9,039	\$ 234,238	\$ 7,956	\$ 701,157	\$ 1,003,235
LIABILITIES									
Accounts payable									
Accrued expenses									
Total Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 365	\$ 32,267	\$ 32,632
DEFERRED INFLOWS OF RESOURCES									
Total Deferred Inflows of Resources	-	-	-	-	-	-	-	-	-
FUND BALANCES									
Restricted			2,017		9,039		7,591		18,647
Committed		27,232				234,238		650,619	912,089
Assigned	21,501			95					21,596
Total Fund Balances	21,501	27,232	2,017	95	9,039	234,238	7,591	650,619	952,332
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 21,501	\$ 27,232	\$ 2,017	\$ 95	\$ 9,039	\$ 234,238	\$ 7,956	\$ 701,157	\$ 1,003,235



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, 2016

	Total Special Revenue Funds	Road Improvements Capital Projects Fund	Permanent Funds	Total Nonmajor Funds
Revenues:				
Taxes	\$ 47,609			\$ 47,609
Intergovernmental revenue	211,924			211,924
Charges for services	409,502			409,502
Interest and investment income		\$ 313	\$ 4,003	4,316
Miscellaneous	15,442			15,442
Total Revenues	<u>684,477</u>	<u>313</u>	<u>4,003</u>	<u>688,793</u>
Expenditures:				
Current operations:				
Public safety	733,734			733,734
Culture and recreation	45,573			45,573
Capital outlay		93,762		93,762
Total Expenditures	<u>779,307</u>	<u>93,762</u>	<u>-</u>	<u>873,069</u>
Excess of revenues over (under) expenditures	<u>(94,830)</u>	<u>(93,449)</u>	<u>4,003</u>	<u>(184,276)</u>
Other financing sources:				
Transfers in	242,324			242,324
Total other financing sources	<u>242,324</u>	<u>-</u>	<u>-</u>	<u>242,324</u>
Net change in fund balances	147,494	(93,449)	4,003	58,048
Fund balances at beginning of year	<u>804,838</u>	<u>130,704</u>	<u>75,721</u>	<u>1,011,263</u>
Fund balances at end of year	<u>\$ 952,332</u>	<u>\$ 37,255</u>	<u>\$ 79,724</u>	<u>\$ 1,069,311</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, 2016

	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									
Intergovernmental revenue		\$ 1,080			\$ 4,419	\$ 47,609		\$ 206,425	\$ 47,609
Charges for services	\$ 33,475	19,316						356,711	211,924
Miscellaneous	7,139		\$ 1,807		86		\$ 3,500	2,910	409,502
Total Revenues	<u>40,614</u>	<u>20,396</u>	<u>1,807</u>	<u>\$ -</u>	<u>4,505</u>	<u>47,609</u>	<u>3,500</u>	<u>566,046</u>	<u>684,477</u>
Expenditures:									
Current operations:									
Public safety		28,793			976		730	703,235	733,734
Culture and recreation	45,573							45,573	45,573
Total Expenditures	<u>45,573</u>	<u>28,793</u>	<u>-</u>	<u>-</u>	<u>976</u>	<u>-</u>	<u>730</u>	<u>703,235</u>	<u>779,307</u>
Excess of revenues over (under) expenditures	<u>(4,959)</u>	<u>(8,397)</u>	<u>1,807</u>	<u>-</u>	<u>3,529</u>	<u>47,609</u>	<u>2,770</u>	<u>(137,189)</u>	<u>(94,830)</u>
Other financing sources:									
Transfers in								242,324	242,324
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>242,324</u>	<u>242,324</u>
Net change in fund balances	<u>(4,959)</u>	<u>(8,397)</u>	<u>1,807</u>	<u>-</u>	<u>3,529</u>	<u>47,609</u>	<u>2,770</u>	<u>105,135</u>	<u>147,494</u>
Fund balances at beginning of year	<u>26,460</u>	<u>35,629</u>	<u>210</u>	<u>95</u>	<u>5,510</u>	<u>186,629</u>	<u>4,821</u>	<u>545,484</u>	<u>804,838</u>
Fund balances at end of year	<u>\$ 21,501</u>	<u>\$ 27,232</u>	<u>\$ 2,017</u>	<u>\$ 95</u>	<u>\$ 9,039</u>	<u>\$ 234,238</u>	<u>\$ 7,591</u>	<u>\$ 650,619</u>	<u>\$ 952,332</u>



SCHEDULE C  
**TOWN OF PEMBROKE, NEW HAMPSHIRE**  
**Combining Statement of Fiduciary Net Position**  
**Fiduciary Funds - All Agency Funds**  
December 31, 2016

	School Agency <u>Fund</u>	Performance Bond Agency <u>Fund</u>	Total Agency <u>Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 857,040	\$ 51,051	\$ 908,091
Investments	<u>928,113</u>		<u>928,113</u>
Total Assets	<u><u>\$ 1,785,153</u></u>	<u><u>\$ 51,051</u></u>	<u><u>\$ 1,836,204</u></u>
<b>LIABILITIES</b>			
Deposits		\$ 51,051	\$ 51,051
Due to other governments	<u>\$ 1,785,153</u>		<u>1,785,153</u>
Total Liabilities	<u><u>\$ 1,785,153</u></u>	<u><u>\$ 51,051</u></u>	<u><u>\$ 1,836,204</u></u>



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

To the Board of Selectmen  
Town of Pembroke, New Hampshire

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pembroke, New Hampshire (the "Town") as of and for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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

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



Manchester, New Hampshire  
September 14, 2017



September 14, 2017

To the Board of Selectmen  
Town of Pembroke, New Hampshire

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pembroke, New Hampshire for the year ended December 31, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 9, 2017. Professional standards also require that we communicate to you the following information related to our audit.

**Significant Audit Findings**

***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Pembroke, New Hampshire are described in Note 1 to the financial statements. During the year ended December 31, 2016, the Town adopted and implemented GASB Statement #72 – *Fair Value Measurement and Application*. We noted no transactions entered into by the Town of Pembroke, New Hampshire during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

The most sensitive estimate affecting the financial statements of the Governmental Activities, Business-type Activities, and major Proprietary Funds was:

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

Significant estimates also include actuarial assumptions used in determining pension and other post-employment benefits costs which are based on plan audited financial statements and a plan actuarial valuation report, respectively. We evaluated the



assumptions used in the plan audited financial statements and the plan actuarial valuation report to determine that they are reasonable in relation to the financial statements as a whole.

The most sensitive estimate affecting the financial statements of the Governmental Activities, Business-type Activities, General Fund, Sewer Fund and the aggregate remaining information was:

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

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

### ***Difficulties Encountered in Performing the Audit***

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

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedules summarize uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements. Please see the attached schedule of material adjustments detected and corrected as a result of audit procedures.

### ***Disagreements with Management***

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

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated September 14, 2017.

### ***Management Consultations with Other Independent Accountants***

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



### ***Other Audit Findings or Issues***

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

### **Other Matters**

We applied certain limited procedures to the management's discussion and analysis, budgetary comparison information, schedule of funding progress for other post-employment benefits, schedule of changes in the Town's proportionate share of the net pension liability, schedule of Town contributions, and the notes to the required supplementary information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

### **Restriction on Use**

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

Very truly yours,

*Vachon Clukay & Company PC*



Town of Pembroke, New Hampshire  
For the year ended 12/31/16  
Material Audit Adjustments

The following is a listing of the Material Audit Adjustments made for the year ended 12/31/16:

**TIF District Fund:**

- To record retainage payable of \$119,121.

**Water Fund:**

- To record the addition of capital assets in the amount of \$182,158.
- To record current year depreciation on capital assets in the amount of \$137,863.

**Sewer Fund:**

- To restore the beginning net position figure by \$3,811,650.
- To record the addition of capital assets in the amount of \$321,286.
- To record current year depreciation on capital assets in the amount of \$133,325.
- To adjust the deferred outflows of resources and net pension liability at year end by \$40,049 and \$65,877, respectively.
- To adjust for the drawdowns on the State Revolving Loan of \$223,502 and report as a liability.

**Aggregate Remaining Information:**

- To increase the investment balance of the school agency funds in the amount of \$434,790.



**GCX-23: AUDIT DIFFERENCE EVALUATION FORM**

Governmental Unit: **Town of Pembroke** Balance Sheet Date: **December 31, 2016**

Opinion Unit: **Government-Wide  
Statements:  
Governmental Activities**

**Financial Statements Effect—Amount of Over (Under) Statement of:**

<u>Description (Nature) of Audit Difference</u>	<u>Total</u>		<u>Net Position</u>	<u>Revenues</u>	<u>Expenses</u>
	<u>Assets and Deferred Outflows of Resources</u>	<u>Liabilities and Deferred Inflows of Resources</u>			
Unrecorded accrued payroll		(5,788)			(5,788)
Unrecorded accrued vacation		(6,909)			(6,909)
Total from cont. page(s)					
Total	-	(12,697)	-	-	(12,697)
Less Audit adjustments subsequently booked					
Net unadjusted audit differences—this year	-	(12,697)	-	-	(12,697)
Effect of unadjusted audit differences—prior years					5,043
Net audit differences	-	(12,697)	-	-	(7,654)
Financial statement caption totals	31,397,445	15,073,061	16,324,384	7,350,907	5,884,801
Net audit differences as % of F/S captions	0.00%	-0.08%	0.00%	0.00%	-0.13%



GCX-23: AUDIT DIFFERENCE EVALUATION FORM

Governmental Unit: **Town of Pembroke** Balance Sheet Date: **December 31, 2016**

Opinion Unit: **Government-Wide  
Statements: Business-  
type activities**

Financial Statements Effect—Amount of Over (Under) Statement of:

Description (Nature) of Audit Difference	Total		Net Position	Revenues	Expenses
	Total Assets and Deferred Outflows of Resources	Total Liabilities and Deferred Inflows of Resources			
Unrecorded compensated absences		(4,356)			(4,356)
Unrecorded accrued payroll		(6,102)			(6,102)
Total from cont. page(s)					
Total	-	(10,458)	-	-	(10,458)
Less Audit adjustments subsequently booked					
Net unadjusted audit differences—this year	-	(10,458)	-	-	(10,458)
Effect of unadjusted audit differences—prior years					13,294
Net audit differences	-	(10,458)	-	-	2,836
Financial statement caption totals	6,952,729	1,072,232	5,880,497	2,035,698	1,827,245
Net audit differences as % of F/S captions	0.00%	-0.98%	0.00%	0.00%	0.16%



GCX-23: AUDIT DIFFERENCE EVALUATION FORM

Governmental Unit:

Town of Pembroke

Balance Sheet Date:

December 31, 2016

Opinion Unit:

General Fund

Financial Statements Effect—Amount of Over (Under) Statement of:

<u>Description (Nature) of Audit Difference</u>	<u>Total</u>		<u>Total</u>		<u>Fund</u>	
	<u>Assets and Deferred Outflows of Resources</u>	<u>Liabilities and Deferred Inflows of Resources</u>	<u>Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	
Unrecorded accrued payroll applicable to the Library		(5,788)			(5,788)	
Total from cont. page(s)						
Total	-	(5,788)	-	-	(5,788)	
Less Audit adjustments subsequently booked						
Net unadjusted audit differences—this year	-	(5,788)	-	-	(5,788)	
Effect of unadjusted audit differences—prior years						
Net audit differences	-	(5,788)	-	-	(5,788)	
Financial statement caption totals	17,463,608	11,269,028	6,194,580	6,377,509	5,776,498	
Net audit differences as % of F/S captions	0.00%	-0.05%	0.00%	0.00%	-0.10%	



## GCX-23: AUDIT DIFFERENCE EVALUATION FORM

Governmental Unit:

Town of Pembroke

Balance Sheet Date:

December 31, 2016

Opinion Unit:

Sewer - Major  
Proprietary FundFinancial Statements Effect—Amount of Over (Under) Statement of:

Description (Nature) of Audit Difference	Total		Total		Position	Revenues	Expenses
	Assets and Deferred Outflows of Resources	Liabilities and Deferred Inflows of Resources	Net				
Unrecorded compensated absences		(4,356)					(4,356)
Unrecorded accrued payroll		(6,102)					(6,102)
Total from cont. page(s)							
Total	-	(10,458)	-		-		(10,458)
Less Audit adjustments subsequently booked							
Net unadjusted audit differences—this year	-	(10,458)	-		-		(10,458)
Effect of unadjusted audit differences—prior years							13,294
Net audit differences	-	(10,458)	-		-		2,836
Financial statement caption totals	3,054,607	485,749	2,568,858		1,128,242		1,087,898
Net audit differences as % of F/S captions	0.00%	-2.15%	0.00%		0.00%		0.26%



