VACHON CLUKAY
& COMPANY PC

CERTIFIED PUBLIC ACCOUNTANTS
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November 12, 2019

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, 2018. 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 April 16, 2019. 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, 2018, the Town of Pembroke, New Hampshire adopted and implemented GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Accordingly, the cumulative effect of the accounting change as of the beginning of the year has been reported in the financial statements and is described in Note 17 to the basic financial statements. We noted no transactions entered into by the Town of Pembroke, New Hampshire during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

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

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

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

Management's estimate of the allowance for uncollectible receivable 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 allowances in determining that they are reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

The audit of the Town's financial statements was delayed as the Water Fund's actuarial valuation to estimate its single-employer OPEB liability was not available in a timely manner. Audit fieldwork was scheduled for the week ending May 20, 2019. However, the Water Fund's actuarial valuation was received on September 12, 2019.

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 12, 2019.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

We were engaged to report on the combining nonmajor governmental fund 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
Material Audit Adjustments
For the year ended December 31, 2018

The following is a listing of the material audit adjustments made for the year ended December 31, 2018 and have been corrected by management:

Sewer Fund:

- To restore the beginning net position figure by $155,500.
- To remove the recognized revenue and expense applicable to the State Revolving Loan and reduce the long-term liability by $248,723.
- To record principal forgiveness on the State Revolving Loan of $69,951.
- To record current year depreciation on capital assets in the amount of $159,945.
- To record capital asset additions of $50,233.
- To record a prior period adjustment for the implementation of GASB No. 75 in the amount of $38,519.

Aggregate Remaining Information:

- To increase the investment balance of the school agency funds in the amount of $405,481.
- To restore the beginning fund balance in the Ambulance Fund by $120,000.

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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, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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

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

Vachon Clukay & Company PC

Manchester, New Hampshire
November 12, 2019

VACHON CLUKAY
& COMPANY PC

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November 12, 2019

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 for the year ended December 31, 2018, we considered the Town's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. We previously reported on the Town's internal control structure in our report dated November 12, 2019. This letter does not affect that report or our report on the basic financial statements dated November 12, 2019.

We have already discussed these comments and suggestions with various Town personnel, and we will be pleased to discuss them in further detail at your convenience, to perform additional study of these matters, or to assist you in implementing the recommendations.

The purpose of this letter is to provide constructive and meaningful recommendations to you.

Sincerely,

Vachon Clukay & Company PC

Vachon Clukay & Company PC

PAYROLL TIMEKEEPING

Observation

During the current year audit engagement, we selected one payroll transaction at random to review the payment for appropriateness and ensure policies and procedures were being followed. We noted that a police officer was paid for both holiday pay and vacation time on the same day.

Implication

The implication is an increased risk in misunderstanding the payroll policies and allowable time paid. Currently the police department follows the personnel policy of the Town which directly prohibits payout for both holiday and vacation; however, the police department explained that there is a different practice in place. Without the difference in policy and practices applied being formally documented by the Town, there is an increased risk for employee confusion and possible litigation.

Recommendation

We recommend that the police department documents the payroll practice whereby an officer is scheduled to work on a day that is recognized as a Town paid holiday. We further recommend that the Town adopts this exception from the current personnel policy.

Town Response

Police officers who are required to work the Holiday must work the day. If they wish the day off, they must put in for vacation and have the Chief approve it. Normally, they would get Holiday pay and time worked for covering the Holiday, so when they put in for a vacation day on a Holiday, they get paid for both vacation and Holiday. The Town will be updating their personnel policy to clarify.

CREDIT CARD DISBURSEMENTS

Observation

As part of every audit engagement, our firm examines credit card purchases for proper documentation and appropriateness of expenditures. We noted that the welfare department purchases gift cards in bulk using the Town credit card; however, minimal documentation is retained regarding the purpose of the gift cards.

Implication

There is an increased risk for inappropriate use of the gift cards if the values are not accurately tracked and approved.

Recommendation

We recommend that when gift cards are purchased by the welfare department, there is a level of tracking to show if the cards are given to specific individuals or used for gifts, etc. If a gift card value is used, we recommend maintaining the supporting receipt to document town expenditures.

Town Response

Gift cards are purchased with funds received from non-taxpayer funds through the Christmas donation program. These cards are used to purchase gifts for the needy for the Holidays. The Town will in the future retain the entire copy of the Walmart bill and attach it to the payment voucher. As for individual gift cards that are handed out, the Welfare Director will compile a listing showing the card denomination and the case number that it was issued to. For privacy reasons, we cannot list the applicant's name.

CUSTODIAL CREDIT RISK

Observation

Per the Town's investment policy for its governmental and proprietary funds, all deposits are to be fully collateralized. We noted that as of December 31, 2018, $66,467 of the Town's deposits were uninsured and uncollateralized. The majority of the Town's funds are held in one financial institution, which is collateralized by a letter of credit for amounts in excess of the FDIC limits. However, the deposits of the Water and Sewer Fund are maintained in a different financial institution, and there is no collateralization agreement.

Implication

The Town is not in compliance with its investment policy. In the event of a bank failure, the Town's deposits may not be returned to it.

Recommendation

We recommend the Town review the banking arrangements of the Water and Sewer Funds, which are held by the Town's Treasurer. Federal depository insurance is provided for the first $250,000 of cash deposits for each bank and type of bank account. In order to comply with the Town's investment policy, protective measures need to be taken to address the uninsured balance.

Town Response

The Water and Sewer Commissioners will work with the Treasurer to develop a plan to insure that all of their funds are protected.

TOWN OF PEMBROKE, NEW HAMPSHIRE

Financial Statements

December 31, 2018

and

Independent Auditor's Report

TOWN OF PEMBROKE, NEW HAMPSHIRE
FINANCIAL STATEMENTS
December 31, 2018

TABLE OF CONTENTS

		Page(s)
INDEPENDENT AUDITOR'S REPORT		
MANAGEMENT'S DISCUSSION AND ANALYSIS		i-viii
BASIC FINANCIAL STATEMENTS		
EXHIBITS:		
A	Statement of Net Position	1
B	Statement of Activities	2
C	Balance Sheet – Governmental Funds	3
C-1	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4
D	Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	5
D-1	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
E	Statement of Net Position – Proprietary Funds	7
F	Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	8
G	Statement of Cash Flows – Proprietary Funds	9
H	Statement of Fiduciary Net Position – Fiduciary Funds	10
NOTES TO BASIC FINANCIAL STATEMENTS		11-39
REQUIRED SUPPLEMENTARY INFORMATION		
SCHEDULES:		
1	Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund	40
2	Schedule of Changes in the Town's Proportionate Share of the Net OPEB Liability	41
3	Schedule of Town OPEB Contributions	42
4	Schedule of Changes in the Town's Total OPEB Liability and Related Ratios	43
5	Schedule of Changes in the Town's Proportionate Share of the Net Pension Liability	44
6	Schedule of Town Pension Contributions	45
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION		46-47

TOWN OF PEMBROKE, NEW HAMPSHIRE
FINANCIAL STATEMENTS
December 31, 2018

TABLE OF CONTENTS (CONTINUED)

SUPPLEMENTAL SCHEDULES

SCHEDULES:		Page(s)
A	Combining Balance Sheet – Governmental Funds - All Nonmajor Funds	48
A-1	Combining Balance Sheet – Governmental Funds - All Nonmajor Special Revenue Funds	49
B	Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds - All Nonmajor Funds	50
B-1	Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds - All Nonmajor Special Revenue Funds	51
C	Combining Statement of Fiduciary Net Position - Fiduciary Funds - All Agency Funds	52

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INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen
Town of Pembroke, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pembroke, New Hampshire (the Town) as of and for the year ended December 31, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the Town's proportionate share of the net OPEB liability, schedule of Town OPEB contributions, schedule of changes in the Town's total OPEB liability and related ratios, schedule of changes in the Town's proportionate share of the net pension liability, and the schedule of Town pension contributions on pages i-viii and 40-47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Pembroke, New Hampshire's basic financial statements. The combining nonmajor governmental fund 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 governmental 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 governmental fund and fiduciary fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Vachon Clukay & Company PC

Manchester, New Hampshire
November 12, 2019

TOWN OF PEMBROKE, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2018

Presented herewith please find the Management Discussion & Analysis Report for the Town of Pembroke for the year ending December 31, 2018. 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 required supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

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

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

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

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

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, Road Capital Projects Fund, and 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.

Required Supplementary Information

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

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

Other Supplementary Information

Other supplementary information includes combining financial statements for 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, 2018 compared with 2017. Please note that the 2017 figures have been restated. See Note 17 in the Notes to the Basic Financial Statements for additional information.

	2018	2017
Current and Other Assets:		
Capital assets	$ 16,151,338	$ 15,221,282
Other assets	15,597,264	17,524,756
Total Assets	31,748,602	32,746,038
Deferred Outflows of Resources	611,783	755,126
Long-term and Other Liabilities:		
Long-term obligations	8,968,879	8,946,375
Other liabilities	4,822,324	7,559,693
Total Liabilities	13,791,203	16,506,068
Deferred Inflows of Resources	133,085	142,945
Net Position:		
Net investment in capital assets	13,498,025	12,894,748
Restricted	115,285	262,423
Unrestricted	4,822,787	3,694,980
Total Net Position	$ 18,436,097	$ 16,852,151

The Town's net position totaled $18,436,097 at December 31, 2018, an increase of $1,583,946 when compared to the end of 2017.

Approximately 73% of the Town's net position reflects its investment in capital assets such as land, buildings, and equipment less any related outstanding debt used to acquire those assets. Another 1% of the Town's net position is restricted in regard to how it may be used. For the Town of Pembroke, those restrictions include those related to permanent funds. The remaining unrestricted portion represents the part of net position of the Town of Pembroke that can be used to finance day-to-day operations.

Changes in net position for governmental activities for the year ending December 31, 2018 and 2017 are as follows:

	2018	2017
Program revenues:		
Charges for services	$ 747,847	$ 832,993
Operating grants and contributions	378,064	506,667
Capital grants and contributions	-	17,817
Total program revenues	1,125,911	1,357,477
General revenues:		
Property and other taxes	4,499,385	4,524,068
Licenses and permits	1,603,582	1,578,436
Intergovernmental revenue	363,293	364,542
Interest and investment earnings	82,898	34,136
Miscellaneous	41,399	34,659
Gain on sale of capital assets	7,700	20,500
Total general revenues	6,598,257	6,556,341
Total revenues	7,724,168	7,913,818
Program expenses:		
General government	1,247,143	1,307,693
Public safety	2,699,102	2,816,464
Highways and streets	1,445,829	1,539,863
Sanitation	244,873	225,065
Health and welfare	59,896	66,355
Culture and recreation	335,023	315,329
Interest and fiscal charges	108,356	114,326
Total expenses	6,140,222	6,385,095
Change in net position	1,583,946	1,528,723
Net position - beginning of year	16,852,151	16,324,384
Restatement due to GASB #75		(1,000,956)
Net position - ending of year	$ 18,436,097	$ 16,852,151

As shown in the above statement the Town experienced an improvement in financial position of $1,583,946 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, 2018 compared with 2017. Again, please note that the 2017 figures have been restated. See Note 17 in the Notes to the Basic Financial Statements for additional information.

	2018	2017
Current and Other Assets:		
Capital assets	$ 5,198,387	$ 5,280,647
Other assets	2,314,150	2,239,248
Total Assets	7,512,537	7,519,895
Deferred Outflows of Resources	14,733	20,343
Long-term and Other Liabilities:		
Long-term obligations	795,812	1,364,333
Other liabilities	271,608	117,147
Total Liabilities	1,067,420	1,481,480
Deferred Inflows of Resources	3,066	3,185
Net Position:		
Net investment in capital assets	4,780,375	3,989,005
Unrestricted	1,676,409	2,066,568
Total Net Position	$ 6,456,784	$ 6,055,573

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, 2018 and 2017 are as follows:

	2018	2017
Program revenues:		
Charges for services	$ 1,958,121	$ 1,910,273
Capital grants and contributions	69,951	
Total program revenues	2,028,072	1,910,273
General revenues:		
Interest and investment earnings	704	601
Gain on sale of capital assets		17,102
Total general revenues	704	17,703
Total revenues	2,028,776	1,927,976
Program expenses:		
Water distribution and treatment	730,611	715,111
Sanitation	896,954	975,181
Total expenses	1,627,565	1,690,292
Change in net position	401,211	237,684
Net position - beginning of year	6,055,573	5,880,497
Restatement due to GASB #75		(62,608)
Net position - ending of year	$ 6,456,784	$ 6,055,573

The main funding source for business-type activities is the charges for services. Net position increased by $401,211 in 2018 due to revenues exceeding expenses in the water and sewer funds.

Financial Analysis of the Town's Funds

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

Governmental Funds

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

General Fund

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the General Fund had a total fund balance of $7,779,083. The fund balance components at year end are detailed on page 37 of the Notes to the Basic Financial Statements.

The General Fund balance increased by $715,379 from December 31, 2017.

Road Capital Projects Fund

The Road Capital Projects Fund accounts for the financial transactions related to roadway improvements on Upper Beacon Hill, East Meadow, and East View. In the current year there were bonds issued totaling $900,000 as approved at the 2018 annual Town meeting. The restricted fund balance as of December 31, 2018 is $25,429.

TIF District Fund

The TIF District Fund accounts for the financial transactions related to improvements to the Soucook River Tax Increment Financing District. The restricted fund balance as of December 31, 2018 is $1,950,446.

Other Governmental Funds

The total fund balance of $1,216,524 in the other governmental funds is designated for the purposes of the individually established funds. The largest portion of this total represents the balance in the Ambulance Fund ($846,492 or 70%) and the Conservation Commission Fund ($273,159 or 22%). Fund balance of the other governmental funds increased by $150,618 from December 31, 2017.

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 $1,676,409 at December 31, 2018, which is a decrease of $390,159 (or 18%) from December 31, 2017. The net investment in capital assets increased by $791,370 (or 20%) from December 31, 2017.

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, 2018 amounts to $16,151,338 and $5,198,387, 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

At the 2018 annual Town meeting, $1,200,000 was authorized to be issued in general obligation debt for purposes of roadway improvements. During May 2018, the Town issued general obligation bonds in the amount of $900,000. In addition, the Soucook River tax increment financing district was authorized to be discontinued at the 2018 annual Town meeting. The $3,001,000 tax increment bonds issued during July 2017 are now a general obligation of the Town.

During 2018, the Town converted its outstanding long-term obligation of $799,022 from the Water Pollution Control Revolving Loan Fund Program into long-term debt. The Town received a principal forgiveness subsidy of $69,951 in June 2018. The balance of the notes payable in the business-type activities decreased by an additional $331,215 during 2018 from payments made during the year.

Additional long-term obligations at year end include other post-employment benefits and the Town's proportionate share of the net pension liability. The Town also reports a net pension liability. 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.

During the year, the original estimated revenues decreased by $10,757, which represents grants accepted in accordance with the provisions of RSA 31:95b of $22,503 less estimated revenue of $33,260 carried forward to 2019. Also, the original budgeted appropriations decreased by $28,253. This decrease is the net result of the unanticipated income of $22,503 accepted under RSA 31:95b less approved appropriations of $50,756 carried forward to 2019.

Actual revenues and transfers in on the budgetary basis exceeded the budgeted amount by $462,445. This is primarily due to receiving additional revenues of $304,472 from licenses and permits and $63,814 from charges for services.

The Town underexpended its budget by $507,929 or 7.1% of the total appropriations. Significant savings were within general government ($160,371), public safety ($122,054) and highways and streets ($147,616).

Economic Conditions

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

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

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, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 15,625,216	$ 766,537	$ 16,391,753
Investments	73,192	30,419	103,611
Taxes receivable, net	734,233		734,233
Accounts receivable, net	149,249	489,807	639,056
Due from other governments	1,008		1,008
Prepaid expenses	8,430		8,430
Inventory		33,323	33,323
Internal balance	(994,064)	994,064	-
Total Current Assets	15,597,264	2,314,150	17,911,414
Noncurrent Assets:			
Non-depreciable capital assets	7,544,764	31,935	7,576,699
Depreciable capital assets, net	8,606,574	5,166,452	13,773,026
Total Noncurrent Assets	16,151,338	5,198,387	21,349,725
Total Assets	31,748,602	7,512,537	39,261,139
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to OPEB liability	47,671	1,807	49,478
Deferred outflows of resources related to net pension liability	564,112	12,926	577,038
Total Deferred Outflows of Resources	611,783	14,733	626,516
LIABILITIES			
Current Liabilities:			
Accounts payable	80,093	7,963	88,056
Retainage payable	102,567		102,567
Accrued expenses	268,244	13,180	281,424
Due to other governments	3,762,873		3,762,873
Deposits payable	1,547		1,547
Current portion of bonds payable	600,000		600,000
Current portion of notes payable		250,465	250,465
Current portion of estimated liability for landfill post-closure care costs	7,000		7,000
Total Current Liabilities	4,822,324	271,608	5,093,932
Noncurrent Liabilities:			
Bonds payable	4,029,188		4,029,188
Notes payable		647,895	647,895
Compensated absences payable	40,206		40,206
Estimated liability for landfill post-closure care costs	161,000		161,000
OPEB liability	965,713	61,466	1,027,179
Net pension liability	3,772,772	86,451	3,859,223
Total Noncurrent Liabilities	8,968,879	795,812	9,764,691
Total Liabilities	13,791,203	1,067,420	14,858,623
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to OPEB liability	1,120	42	1,162
Deferred inflows of resources related to net pension liability	131,965	3,024	134,989
Total Deferred Inflows of Resources	133,085	3,066	136,151
NET POSITION			
Net investment in capital assets	13,498,025	4,780,375	18,278,400
Restricted	115,285		115,285
Unrestricted	4,822,787	1,676,409	6,499,196
Total Net Position	$ 18,436,097	$ 6,456,784	$ 24,892,881

See accompanying notes to the basic financial statements

EXHIBIT B
TOWN OF PEMBROKE, NEW HAMPSHIRE
Statement of Activities
For the Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental Activities:							
General government	$ 1,247,143	$ 37,017			$ (1,210,126)		$ (1,210,126)
Public safety	2,699,102	547,505	$ 181,800		(1,969,797)		(1,969,797)
Highways and streets	1,445,829	1,678	194,404		(1,249,747)		(1,249,747)
Sanitation	244,873	102,477	1,860		(140,536)		(140,536)
Health and welfare	59,896	2,185			(57,711)		(57,711)
Culture and recreation	335,023	56,985			(278,038)		(278,038)
Interest and fiscal charges	108,356				(108,356)		(108,356)
Total governmental activities	6,140,222	747,847	378,064	$ -	(5,014,311)	$ -	(5,014,311)
Business-type activities:							
Water Department	730,611	862,743				132,132	132,132
Sewer Department	896,954	1,095,378		69,951		268,375	268,375
Total business-type activities	1,627,565	1,958,121	-	69,951	-	400,507	400,507
Total primary government	$ 7,767,787	$ 2,705,968	$ 378,064	$ 69,951	(5,014,311)	400,507	(4,613,804)
General revenues:							
Property and other taxes					4,499,385		4,499,385
Licenses and permits					1,603,582		1,603,582
Grants and contributions:							
Rooms and meals tax distribution					363,293		363,293
Interest and investment earnings					82,898	704	83,602
Miscellaneous					41,399		41,399
Gain on sale of capital assets					7,700		7,700
Total general revenues					6,598,257	704	6,598,961
Change in net position					1,583,946	401,211	1,985,157
Net position at beginning of year, as restated					16,852,151	6,055,573	22,907,724
Net position at end of year					$ 18,436,097	$ 6,456,784	$ 24,892,881

See accompanying notes to the basic financial statements

EXHIBIT C
TOWN OF PEMBROKE, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2018

	General Fund	Road Capital Projects Fund	TIF District Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 13,021,826	$ 488,779	$ 1,958,996	$ 155,615	$ 15,625,216
Investments				73,192	73,192
Taxes receivable, net	729,783			4,450	734,233
Accounts receivable, net	5,331			143,918	149,249
Due from other governments	1,008				1,008
Due from other funds	369,333			884,849	1,254,182
Prepaid expenses	8,430				8,430
Total Assets	14,135,711	488,779	1,958,996	1,262,024	17,845,510
DEFERRED OUTFLOWS OF RESOURCES					
Total Deferred Outflows of Resources	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	$ 14,135,711	$ 488,779	$ 1,958,996	$ 1,262,024	$ 17,845,510
LIABILITIES					
Accounts payable	$ 65,085			$ 15,008	$ 80,093
Retainage payable		$ 102,567			102,567
Accrued expenses	161,137			30,492	191,629
Due to other governments	3,762,873				3,762,873
Deposits payable	1,547				1,547
Due to other funds	1,878,913	360,783	$ 8,550		2,248,246
Total Liabilities	5,869,555	463,350	8,550	45,500	6,386,955
DEFERRED INFLOWS OF RESOURCES					
Uncollected property taxes	487,073				487,073
Total Deferred Inflows of Resources	487,073	-	-	-	487,073
FUND BALANCES					
Nonspendable	8,430			37,613	46,043
Restricted	23,194	25,429	1,950,446	54,478	2,053,547
Committed	2,349,902			1,106,100	3,456,002
Assigned	249,905			18,333	268,238
Unassigned	5,147,652				5,147,652
Total Fund Balances	7,779,083	25,429	1,950,446	1,216,524	10,971,482
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 14,135,711	$ 488,779	$ 1,958,996	$ 1,262,024	$ 17,845,510

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, 2018

Total Fund Balances - Governmental Funds (Exhibit C)	$ 10,971,482
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	16,151,338
Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis	487,073
Deferred outflows of resources and deferred inflows of resources that do not require or provide the use of current financial resources are not reported within the funds:	
Deferred outflows of resources related to OPEB liability	47,671
Deferred outflows of resources related to net pension liability	564,112
Deferred inflows of resources related to OPEB liability	(1,120)
Deferred inflows of resources related to net pension liability	(131,965)
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	(4,629,188)
Accrued interest on long-term obligations	(76,615)
Compensated absences payable	(40,206)
Estimated liability for landfill post-closure care costs	(168,000)
OPEB liability	(965,713)
Net pension liability	(3,772,772)
Net Position of Governmental Activities (Exhibit A)	$ 18,436,097

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, 2018

	General Fund	Road Capital Projects Fund	TIF District Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	$ 4,409,585			$ 28,860	$ 4,438,445
Licenses and permits	1,603,582				1,603,582
Intergovernmental	559,944			181,413	741,357
Charges for services	194,865			537,219	732,084
Interest and investment income (loss)	66,411	$ 3,910	$ 16,311	(3,734)	82,898
Miscellaneous	49,099			15,763	64,862
Total Revenues	6,883,486	3,910	16,311	759,521	7,663,228
Expenditures:					
Current operations:					
General government	1,250,238				1,250,238
Public safety	1,795,664			767,530	2,563,194
Highways and streets	1,122,985				1,122,985
Sanitation	251,697				251,697
Health and welfare	59,348			1,000	60,348
Culture and recreation	267,723			61,569	329,292
Capital outlay	433,038	878,481	114,511	3,439	1,429,469
Debt service:					
Principal retirement	571,000				571,000
Interest and fiscal charges	191,779				191,779
Total Expenditures	5,943,472	878,481	114,511	833,538	7,770,002
Excess of revenues over (under) expenditures	940,014	(874,571)	(98,200)	(74,017)	(106,774)
Other financing sources (uses):					
Proceeds from bond issuance		900,000			900,000
Transfers in				224,635	224,635
Transfers out	(224,635)				(224,635)
Total other financing sources (uses)	(224,635)	900,000		224,635	900,000
Net change in fund balances	715,379	25,429	(98,200)	150,618	793,226
Fund balances at beginning of year	7,063,704	-	2,048,646	1,065,906	10,178,256
Fund balances at end of year	$ 7,779,083	$ 25,429	$ 1,950,446	$ 1,216,524	$ 10,971,482

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, 2018

Net Change in Fund Balances--Total Governmental Funds	$ 793,226
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.	930,056
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.	60,940
Repayment of principal on long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Repayments in the current year are as follows:	
Bond principal paid	571,000
Proceeds from bond issuances are an other financing source in the funds, but increases long-term liabilities in the statement of net position.	(900,000)
Governmental funds report the effect of bond issuance premiums when debt is first issued, whereas these amounts are amortized in the statement of activities over the life of the related debt. The current year activity is as follows:	
Amortization of bond issuance premium	74,992
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	8,431
Certain items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. These items are from the following activites:	
Compensated absences	21
Estimated liability for landfill post-closure care costs	7,000
Governmental funds report OPEB and pension contributions as expenditures. However, in the statement of activities, OPEB and pension expense reflects the change in the OPEB liability and net pension liability and related deferred outflows and inflows of resources, and does not require the use of current financial resources. This is the amount by which OPEB and pension expense differed from OPEB and pension contributions in the current period.	
Net changes in OPEB	158,146
Net changes in pension	(119,866)
Change in Net Position of Governmental Activities (Exhibit B)	$ 1,583,946

See accompanying notes to the basic financial statements

EXHIBIT E
TOWN OF PEMBROKE, NEW HAMPSHIRE
Statement of Net Position
Proprietary Funds
December 31, 2018

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 43,176	$ 723,361	$ 766,537
Investments	30,419		30,419
Accounts receivable, net	173,730	316,077	489,807
Due from other funds	468,848	525,216	994,064
Inventory	33,323		33,323
Total Current Assets	749,496	1,564,654	2,314,150
Noncurrent Assets:			
Non-depreciable capital assets	31,935		31,935
Depreciable capital assets, net	3,229,910	1,936,542	5,166,452
Total Noncurrent Assets	3,261,845	1,936,542	5,198,387
Total Assets	4,011,341	3,501,196	7,512,537
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to OPEB liability		1,807	1,807
Deferred outflows of resources related to net pension liability		12,926	12,926
Total Deferred Outflows of Resources		14,733	14,733
LIABILITIES			
Current Liabilities:			
Accounts payable	4,633	3,330	7,963
Accrued expenses	7,202	5,978	13,180
Current portion of notes payable	201,222	49,243	250,465
Total Current Liabilities	213,057	58,551	271,608
Noncurrent Liabilities:			
Notes payable	216,790	431,105	647,895
OPEB liability	24,863	36,603	61,466
Net pension liability		86,451	86,451
Total Noncurrent Liabilities	241,653	554,159	795,812
Total Liabilities	454,710	612,710	1,067,420
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to OPEB liability		42	42
Deferred inflows of resources related to net pension liability		3,024	3,024
Total Deferred Inflows of Resources		3,066	3,066
NET POSITION			
Net investment in capital assets	2,843,833	1,936,542	4,780,375
Unrestricted	712,798	963,611	1,676,409
Total Net Position	$ 3,556,631	$ 2,900,153	$ 6,456,784

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, 2018

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
Operating revenues:			
Charges for services, net	$ 860,550	$ 1,069,526	$ 1,930,076
Miscellaneous revenues	2,193	25,852	28,045
Total operating revenues	862,743	1,095,378	1,958,121
Operating expenses:			
Personnel services	305,993	101,776	407,769
Contractual services	21,439	535,796	557,235
Materials and supplies	96,433	3,935	100,368
Maintenance and repairs	10,783	39,753	50,536
Utilities	87,179	18,723	105,902
Depreciation	153,542	159,945	313,487
Miscellaneous expenses	37,979	20,204	58,183
Total operating expenses	713,348	880,132	1,593,480
Operating income	149,395	215,246	364,641
Non-operating revenues (expenses):			
Interest revenue	240	464	704
Interest expense	(17,263)	(16,822)	(34,085)
Net non-operating revenues (expenses)	(17,023)	(16,358)	(33,381)
Income (loss) before contributions	132,372	198,888	331,260
Capital contributions		69,951	69,951
Change in net position	132,372	268,839	401,211
Total net position at beginning of year, as restated	3,424,259	2,631,314	6,055,573
Total net position at end of year	$ 3,556,631	$ 2,900,153	$ 6,456,784

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, 2018

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
Cash flows from operating activities:			
Cash received from customers	$ 877,216	$ 1,097,295	$ 1,974,511
Cash paid to suppliers	(328,816)	(661,466)	(990,282)
Cash paid to employees	(232,413)	(80,491)	(312,904)
Net cash provided (used) by operating activities	315,987	355,338	671,325
Cash flows from capital and related financing activities:			
Purchases of capital assets	(180,994)	(62,906)	(243,900)
Proceeds of other long-term obligations		20,557	20,557
Principal paid on long-term debt	(82,492)	(248,723)	(331,215)
Interest paid on long-term debt	(17,263)	(17,276)	(34,539)
Net cash provided (used) for capital and related financing activities	(280,749)	(308,348)	(589,097)
Cash flows from investing activities:			
Purchase of investments	(196)		(196)
Interest on investments	240	464	704
Net cash provided (used) by investing activities	44	464	508
Net increase in cash and cash equivalents	35,282	47,454	82,736
Cash and cash equivalents at beginning of year	476,742	1,201,123	1,677,865
Cash and cash equivalents at end of year	$ 512,024	$ 1,248,577	$ 1,760,601
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	$ 149,395	$ 215,246	$ 364,641
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	153,542	159,945	313,487
Change in deferred outflows of resources related to OPEB liability		(1,055)	(1,055)
Change in deferred outflows of resources related to net pension liability		6,665	6,665
Change in deferred inflows of resources related to OPEB liability		16	16
Change in deferred inflows of resources related to net pension liability		(135)	(135)
Changes in assets and liabilities:			
Accounts receivable	14,473	1,917	16,390
Inventory	(8,360)		(8,360)
Accounts payable	167	(6,490)	(6,323)
Accrued expenses	5,996		5,996
OPEB liability	774	(4,956)	(4,182)
Net pension liability		(15,815)	(15,815)
Net cash provided (used) by operating activities	$ 315,987	$ 355,338	$ 671,325
Non-cash transactions affecting financial position:			
Principal forgiveness on State of New Hampshire revolving loan	$ -	$ 69,951	$ 69,951

See accompanying notes to the basic financial statements

EXHIBIT H
TOWN OF PEMBROKE, NEW HAMPSHIRE
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2018

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 859,253
Investments	899,908
Total Assets	$ 1,759,161
LIABILITIES	
Deposits	$ 36,290
Due to other governments	1,722,871
Total Liabilities	$ 1,759,161

See accompanying notes to the basic financial statements

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

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 *Road Capital Projects Fund* accounts for the financial transactions related to the roadway improvement and reconstruction projects of Town streets.

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

3. **Fiduciary Funds:**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category 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.

Measurement Focus

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

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

2. **Fund Financial Statements:**

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

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

Basis of Accounting

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

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

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

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied (see Note 12). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been 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, property taxes receivable that will not be collected within the available period are 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, 2018, 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.

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 acquisition 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:

Description	Years
Intangible assets	10
Infrastructure	5-67
Buildings and improvements	10-40
Vehicles and equipment	5-40

Compensated Absences

Full time employees accrue sick leave days at a rate of four hours for each calendar month of service. Regular part time employees accrue sick leave at a pro-rated rate based on the number of hours of employment. Both full and part time employees may accrue sick leave cumulative to a maximum of 96 hours. Upon reaching the maximum accumulation of 96 hours, the employee shall be paid for 48 hours of the accumulated sick leave and shall have 48 hours of accumulated sick leave remaining. Upon voluntary

termination or retirement, an employee will be compensated for a maximum of 40 unused sick leave hours at the current rate of pay. No payment for unused sick leave is made upon involuntary termination. Town employees earn vacation at 80-200 hours per year dependent on length of service. Vacation can only be accrued up to 80 hours. A provision has been made in the financial statements for accrued/unused vacation.

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

Bond Premium

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

Accrued Liabilities and Long-Term Obligations

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Pensions

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

Net Position

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

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

Fund Balance Policy

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

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

Spending Prioritization

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

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

Minimum Level of Unassigned Fund Balance

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

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

Interfund Activity

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

Operating Revenues and Expenses

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

Estimates

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

NOTE 2—DEPOSITS AND INVESTMENTS

Deposits and investments as of December 31, 2018 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and cash equivalents	$ 16,391,753
Investments	103,611
Statement of Fiduciary Net Position:	
Cash and cash equivalents	859,253
Investments	899,908
Total deposits and investments	$ 18,254,525

Deposits and investments as of December 31, 2018 consist of the following:

Cash on hand	$ 1,198
Deposits with financial institutions	17,280,228
Investments	973,099
Total deposits and investments	$ 18,254,525

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

Credit Risk

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

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

Investment Type	Not rated
Open end mutual funds	$ 98,074
Closed end mutual funds	9,196
Money market mutual funds	71,940
	$ 179,210

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, $16,310,247 was collateralized by securities held by the bank in the bank's name, and $66,467 was uninsured and uncollateralized.

As of December 31, 2018, Town investments in the following investment types were held by the same counterparty that was used to buy the securities:

Investment Type	Reported Amount
Equity securities	$ 793,889
Closed end mutual funds	9,196
	$ 803,085

Fair Value

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

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

As of December 31, 2018, the Town's investments measured at fair value, by type, were as follows:

		Fair Value Measurements Using:		
Description		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level:				
Equity securities	$ 793,889	$ 793,889		
Closed end mutual funds	9,196	9,196		
	$ 803,085	$ 803,085	$ -	$ -

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

NOTE 3—CASH AND CASH EQUIVALENTS

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

	Water Fund	Sewer Fund	Totals
Cash and cash equivalents	$ 43,176	$ 723,361	$ 766,537
Due from other funds	468,848	525,216	994,064
Total cash and cash equivalents	$ 512,024	$ 1,248,577	$ 1,760,601

NOTE 4—TAXES RECEIVABLE

Taxes levied during the current year and prior and uncollected at December 31, 2018 are recorded as receivables net of reserves for estimated uncollectibles of $70,780.

NOTE 5—ACCOUNTS RECEIVABLE

Accounts receivable are recorded net of reserves for estimated uncollectibles of $572,351 in the ambulance fund (a nonmajor governmental fund) and $35,118 in the sewer fund.

NOTE 6—CAPITAL ASSETS

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

	Balance 01/01/18	Additions	Reductions	Balance 12/31/18
Governmental activities:				
Capital assets not depreciated:				
Land	$ 2,602,925			$ 2,602,925
Easements	608,579			608,579
Construction in progress	3,090,801	$ 1,317,029	$ (74,570)	4,333,260
Total capital assets not being depreciated	6,302,305	1,317,029	(74,570)	7,544,764
Other capital assets:				
Intangible assets	60,960			60,960
Infrastructure	6,204,655	74,570		6,279,225
Buildings and improvements	3,884,886	43,607		3,928,493
Vehicles and equipment	6,679,651	62,908	(180,000)	6,562,559
Total other capital assets at historical cost	16,830,152	181,085	(180,000)	16,831,237
Less accumulated depreciation for:				
Intangible assets	(30,480)	(6,096)		(36,576)
Infrastructure	(993,312)	(156,981)		(1,150,293)
Buildings and improvements	(2,971,790)	(48,210)		(3,020,000)
Vehicles and equipment	(3,915,593)	(282,201)	180,000	(4,017,794)
Total accumulated depreciation	(7,911,175)	(493,488)	180,000	(8,224,663)
Total other capital assets, net	8,918,977	(312,403)	-	8,606,574
Total capital assets, net	$ 15,221,282	$ 1,004,626	$ (74,570)	$ 16,151,338

Depreciation expense was charged to governmental functions as follows:

General government	$ 46,587
Public safety	135,567
Highways and streets	310,119
Culture and recreation	1,215
Total governmental activities depreciation expense	$ 493,488

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

	Balance 01/01/18	Additions	Reductions	Balance 12/31/18
Business-type activities:				
Capital assets not depreciated:				
Land	$ 31,935			$ 31,935
Construction in progress	833,558	$ 16,933	$ (850,491)	-
Total capital assets not being depreciated	865,493	16,933	(850,491)	31,935
Other capital assets:				
Intangible assets	41,900			41,900
Building and improvements	272,333	850,491	(55,370)	1,067,454
Water infrastructure	2,865,468			2,865,468
Sewer infrastructure	3,417,224	33,300		3,450,524
Machinery, vehicles, and equipment	3,240,071	180,994	(17,243)	3,403,822
Other	29,865			29,865
Total other capital assets at historical cost	9,866,861	1,064,785	(72,613)	10,859,033
Less accumulated depreciation for:				
Intangible assets	(18,370)	(4,190)		(22,560)
Building and improvements	(226,007)	(34,141)	55,370	(204,778)
Water infrastructure	(1,003,107)	(62,935)		(1,066,042)
Sewer infrastructure	(2,297,855)	(115,017)		(2,412,872)
Machinery, vehicles, and equipment	(1,876,503)	(97,204)	17,243	(1,956,464)
Other	(29,865)			(29,865)
Total accumulated depreciation	(5,451,707)	(313,487)	72,613	(5,692,581)
Total other capital assets, net	4,415,154	751,298	-	5,166,452
Total capital assets, net	$ 5,280,647	$ 768,231	$ (850,491)	$ 5,198,387

Depreciation expense was charged to the proprietary funds as follows:

Water Fund	$ 153,542
Sewer Fund	159,945
Total business-type activities depreciation expense	$ 313,487

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, 2018 are as follows:

	Due from			
Due to	General Fund	Roads Capital Projects Fund	TIF District Fund	Totals
General Fund		$ 360,783	$ 8,550	$ 369,333
Nonmajor Governmental Funds	$ 884,849			884,849
Water Fund	468,848			468,848
Sewer Fund	525,216			525,216
	$ 1,878,913	$ 360,783	$ 8,550	$ 2,248,246

During the year, several interfund transactions occurred between funds. During the year ended December 31, 2018, the General Fund made a transfer of $224,635 to the Ambulance Fund (a nonmajor governmental fund. The transfer was made in accordance with budgetary authorizations.

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, 2018 are as follows:

	Balance 01/01/18	Additions	Reductions	Balance 12/31/18	Due Within One Year
Governmental activities:					
Bonds payable	$ 870,000	$ 3,901,000	$ (571,000)	$ 4,200,000	$ 600,000
Unamortized bond premium	5,180	499,000	(74,992)	429,188	-
Total bonds payable	875,180	4,400,000	(645,992)	4,629,188	600,000
Tax increment financing bonds payable	3,001,000		(3,001,000)	-	
Unamortized bond premium	499,000		(499,000)	-	
Total tax increment financing bonds payable	3,500,000	-	(3,500,000)	-	-
Compensated absences payable	40,227	4,916	(4,937)	40,206	-
Total governmental activities	$ 4,415,407	$ 4,404,916	$ (4,150,929)	$ 4,669,394	$ 600,000
Business-type activities:					
Notes payable	$ 500,504	$ 799,022	$ (401,166)	$ 898,360	$ 250,465
Other long-term obligations	778,465	20,557	(799,022)	-	-
Total business-type activities	$ 1,278,969	$ 819,579	$ (1,200,188)	$ 898,360	$ 250,465

Per the March 2018 annual Town meeting, the Soucook River tax increment financing district was authorized to be discontinued. The $3,001,000 tax increment bonds issued during July 2017 are now a general obligation of the Town.

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 and Sewer Fund. Compensated absences payable will be paid from the fund where the employee's salary is paid.

Governmental Activities

Bonds payable

Bonds payable at December 31, 2018 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%	$ 500,000
$3,001,000, 2017 Tax increment financing bonds, due in an annual installment of $201,000 in August 2018 and annual installments of $200,000 thereafter until August 2032; interest at 4.10-5.10%	2,800,000
$900,000, 2018 Roadway Improvement bonds, due in annual installments of $300,000 through May 2021; interest at 2.45%	900,000
	4,200,000
Add: Unamortized bond premium	429,188
	$ 4,629,188

Debt service requirements to retire general obligation bonds outstanding for governmental activities at December 31, 2018 are as follows:

Year Ending December 31,	Principal	Interest	Totals
2019	$ 600,000	$ 179,450	$ 779,450
2020	600,000	157,450	757,450
2021	600,000	135,400	735,400
2022	300,000	113,350	413,350
2023	300,000	98,600	398,600
2024-2028	1,000,000	317,000	1,317,000
2029-2032	800,000	82,000	882,000
Total	4,200,000	1,083,250	5,283,250
Add: *Bond Premium*	429,188		
	$ 4,629,188	$ 1,083,250	$ 5,283,250

Business-type Activities

Notes payable

The notes payable at December 31, 2018 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	$ 121,908
$250,000, 2015 Water line construction note, due in monthly installments of $2,449, including interest at 3.30%, through May 2025	169,783
$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	126,321
$799,022, 2018 Sewer note, due in annual installments of $58,850, including interest at 2.00%, through 2027	480,348
	$ 898,360

Debt service requirements to retire the notes payable for business-type activities at December 31, 2018 are as follows:

Year Ending December 31,	Principal	Interest	Totals
2019	$ 250,465	$ 20,018	$ 270,483
2020	128,005	14,903	142,908
2021	95,360	11,354	106,714
2022	78,914	9,321	88,235
2023	80,852	7,383	88,235
2024-2027	264,764	12,302	277,066
	$ 898,360	$ 75,281	$ 973,641

Authorized and Unissued Debt

As of December 31, 2018, the Town had the following debt authorized and unissued:

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

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 $168,000 as of December 31, 2018. 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, 2018. 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, 2018:

Balance - January 1, 2018	$ 175,000
Change in estimated liability	(1,851)
Expenditures recognized in General Fund	(5,149)
Balance - December 31, 2018	$ 168,000

NOTE 10—OTHER POST-EMPLOYMENT BENEFITS

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

	Deferred Outflows	OPEB Liability	Deferred Inflows	OPEB Expense
Cost-Sharing Multiple Employer Plan	$ 49,478	$ 365,569	$ 1,162	$ 149,310
Single Employer Plan - Town		636,747		211,172
Single Employer Plan - Water Fund		24,863		774
Total	$ 49,478	$ 1,027,179	$ 1,162	$ 361,256

The net amount of deferred outflows of resources and deferred inflows of resources related to OPEB is reflected as an increase to unrestricted net position in the amount of $48,316.

COST-SHARING MULTIPLE EMPLOYER PLAN

Plan Description

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

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

The OPEB Plan is divided into four membership types. Political subdivision employees, teachers and State employees belong to Group I. Police officers and firefighters belong to Group II. The OPEB plan is closed to new entrants.

Benefits Provided

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

Group I benefits are based on creditable service, age and retirement date. Group II benefits are based on hire date, age and creditable service. Medical subsidy rates established by RSA 100-A:52 II are dependent upon whether retirees are eligible for Medicare. Retirees not eligible for Medicare may receive a

maximum medical subsidy of $375.56 for a single person plan and $751.12 for a two-person plan. Retirees eligible for Medicare may receive a maximum medical subsidy of $236.84 for a single person plan and $473.68 for a two-person plan.

Funding Policy

Per RSA-100:16, contribution rates are established and may be amended by the New Hampshire State legislature and are determined by the NHRS Board of Trustees based on an actuarial valuation. The Town's contribution rates for the covered payroll of public safety employees and general employees were 4.10% and 0.30%, respectively, for the year ended December 31, 2018. Contributions to the OPEB plan for the Town were $34,319 for the year ended December 31, 2018. Employees are not required to contribute to the OPEB plan.

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

At December 31, 2018, the Town reported a liability of $365,569 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by a roll forward of the actuarial valuation from June 30, 2017. The Town's proportion of the net OPEB liability was based on actual contributions by the Town during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2018, the Town's proportion was approximately 0.0798 percent, which was an increase of 0.0313 percentage points from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Town recognized OPEB expense of $149,310. At December 31, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,146	
Net difference between projected and actual investment earnings on OPEB plan investments		$ 1,162
Changes in proportion and differences between Town contributions and proportionate share of contributions	30,419	
Town contributions subsequent to the measurement date	16,913	
Totals	$ 49,478	$ 1,162

The Town reported $16,913 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net OPEB liability in the measurement period ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense for the measurement periods as follows:

June 30,	
2019	$ 32,202
2020	(362)
2021	(362)
2022	(75)
	$ 31,403

Actuarial Assumptions

The total OPEB liability was determined by a roll forward of the actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Wage inflation	3.25 percent
Salary increases	5.60 percent, average, including inflation
Investment rate of return	7.25 percent, net of OPEB plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

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

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return
Fixed income	25%	(0.25)-1.80%
Domestic equity	30%	4.25-4.50%
International equity	20%	4.50-6.00%
Real estate	10%	3.25%
Private equity	5%	6.25%
Private debt	5%	4.25%
Opportunistic	5%	2.15%
Total	100%	

The discount rate used to measure the collective total OPEB liability as of June 30, 2018 was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statute RSA 100-A:16 and that plan member contributions will be made under RSA 100-A:16. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to

make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net OPEB liability	$ 380,486	$ 365,569	$ 323,784

SINGLE EMPLOYER PLAN

Plan Description

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

Benefits Provided

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

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

Employees Covered By Benefit Terms

At December 31, 2018, the following employees were covered by the benefit terms:

	Town	Water Fund
Inactive employees or beneficiaries currently receiving benefits	3	-
Inactive employees entitled to but not yet receiving benefit payments	-	-
Active employees	33	5
	36	5

Total OPEB Liability

The Town's total OPEB liability of $636,747 was measured as of December 31, 2018 and was determined by an actuarial valuation as of December 31, 2018. Liabilities as of January 1, 2018 are based on an actuarial valuation date of January 1, 2017 projected to January 1, 2018 on a "no loss / no gain" basis.

The total OPEB liability attributable to the Water Fund of $24,863 was measured as of December 31, 2018, based on an actuarial valuation date of December 31, 2018. Liabilities as of January 1, 2018 are based on an actuarial valuation date of December 31, 2018 actuarially rolled back to January 1, 2018 on a "no loss / no gain" basis.

Actuarial Assumptions and Other Inputs for OPEB

The total OPEB liability in the December 31, 2018 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation rate	2.50 percent
Payroll growth rate	3.25 percent
Discount rate	4.11 percent
Healthcare cost trend rates	8.00 percent for 2018, decreasing 0.50 percent per year to an ultimate trend rate of 4.50 percent, reached in 2026

The discount rate was based on the *Bond Buyer 20-Bond General Obligation Index* based on the 20 year AA municipal bond rate as of December 31, 2018. Mortality rates were based on the SOA RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018.

Changes in the Total OPEB Liability

	Town Total OPEB Liability	Water Fund Total OPEB Liability
Balance at December 31, 2017	$ 915,871	$ 24,089
Changes for the year:		
Service cost	38,401	2,361
Interest	31,669	910
Changes of assumptions	(91,774)	(2,497)
Differences between expected and actual experience	(189,468)	
Benefit payments	(67,952)	
Net changes	(279,124)	774
Balance at December 31, 2018	$ 636,747	$ 24,863

The Town's prior full valuation used a discount rate of 4.00%. The current valuation uses a discount rate of 3.44% as of January 1, 2018 and 4.11% as of December 31, 2018.

For the Water Fund valuation, this was the first OPEB valuation performed. The total OPEB liability as of January 1, 2018 is based on an actuarial valuation date of December 31, 2018 actuarially rolled back to January 1, 2018 on a "no loss / no gain" basis. The valuation uses a discount rate of 3.44% as of January 1, 2018 and 4.11% as of December 31, 2018, updated to reflect market conditions as of the measurement date.

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

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

	1% Decrease (3.11%)	Current Discount Rate (4.11%)	1% Increase (5.11%)
Town Total OPEB Liability	$ 685,929	$ 636,747	$ 592,565
Water Fund Total OPEB Liability	$ 28,698	$ 24,863	$ 21,637

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

The following presents the total OPEB liability of the Town and Water Fund, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.00 percent decreasing to 3.50 percent) or 1-percentage-point higher (9.00 percent decreasing to 5.50 percent) than the current healthcare cost trend rate:

	1% Decrease (7.00% decreasing to 3.50%)	Healthcare Cost Trend Rates (8.00% decreasing to 4.50%)	1% Increase (9.00% decreasing to 5.50%)
Town Total OPEB Liability	$ 588,417	$ 636,747	$ 692,177
Water Fund Total OPEB Liability	$ 20,932	$ 24,863	$ 29,849

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

For the year ended December 31, 2018, the Town and the Water Fund recognized OPEB expense of $211,172 and $774, respectively. At December 31, 2018, both the Town and the Water Fund reported no deferred outflows of resources or deferred inflows of resources related to OPEB. Under the Alternative Measurement Method, all deferred outflows of resources and deferred inflows of resources are fully recognized in the current year.

NOTE 11—DEFINED BENEFIT PENSION PLAN

Plan Description

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

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

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

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 ¼ of 1%. 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 January 1, 2012	Minimum Age	Minimum Service	Benefit Multiplier
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. 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 25.33%, 27.79%, and 11.08%, respectively, for the year ended December 31, 2018. 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 $335,956 for the year ending December 31, 2018.

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

At December 31, 2018, the Town reported a liability of $3,859,223 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017. 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, 2018, the Town's proportion was approximately 0.0801 percent, which was a minimal change from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Town recognized pension expense of $446,559. At December 31, 2018, 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	$ 30,804	$ 31,248
Net difference between projected and actual earnings on pension plan investments		89,306
Changes of assumptions	267,077	
Changes in proportion and differences between Town contributions and share of contributions	111,305	14,435
Town contributions subsequent to the measurement date	167,852	
Totals	$ 577,038	$ 134,989

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 $442,049. The Town reported $167,852 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, 2019. 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:

June 30,	
2019	$ 210,722
2020	138,028
2021	(60,076)
2022	(14,477)
	$ 274,197

Actuarial Assumptions

The total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2017, using the following actuarial assumptions:

Inflation	2.50 percent
Wage inflation	3.25 percent
Salary increases	5.60 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 with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

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

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return
Fixed income	25%	(0.25)-1.80%
Domestic equity	30%	4.25-4.50%
International equity	20%	4.50-6.00%
Real estate	10%	3.25%
Private equity	5%	6.25%
Private debt	5%	4.25%
Opportunistic	5%	2.15%
Total	100%	

Discount Rate

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

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

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

	1% Decrease (6.25%)	Discount rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability	$ 5,134,728	$ 3,859,223	$ 2,790,311

NOTE 12—PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 ($663,715,336 as of April 1, 2018) and are due in two installments on July 2, 2018 and December 3, 2018. 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 $11,009,896 and $1,856,876 for the Pembroke School District and Merrimack County, respectively. These taxes are not recognized as revenues in these financial statements. At December 31, 2018, the balance of the property tax appropriation due to the Pembroke School District is $3,759,896. The Town bears responsibility for uncollected taxes.

NOTE 13—RESTRICTED NET POSITION

Net position is restricted for specific purposes as follows:

	Governmental Activities
Permanent Funds - Principal	$ 37,613
Permanent Funds - Income	40,261
Road Capital Projects	25,429
Tax Increment Financing District	1,950,446
K-9 Donations	11,816
Christmas Donations Fund	1,427
Police Grants Fund	5,199
Grants Fund	7,591
Library Fund	11,378
	2,091,160
Less unexpended bond proceeds	(1,975,875)
	$ 115,285

NOTE 14—COMPONENTS OF FUND BALANCE

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

Fund Balances	General Fund	Roads Capital Projects Fund	TIF District Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Permanent Funds - Principal				$ 37,613	$ 37,613
Prepaid expenses	$ 8,430				8,430
Restricted for:					
Permanent Funds - Income				40,261	40,261
K-9 Donations	11,816				11,816
Capital Projects		$ 25,429			25,429
Tax Increment Financing District			$ 1,950,446		1,950,446
Christmas Donations Fund				1,427	1,427
Police Grants Fund				5,199	5,199
Grants Fund				7,591	7,591
Library operations	11,378				11,378
Committed for:					
Police Details Fund				30,558	30,558
Conservation Commission				273,159	273,159
Ambulance Fund				802,383	802,383
Expendable Trust Funds	1,969,902				1,969,902
Encumbrances	380,000				380,000
Assigned for:					
Recreation Fund				18,238	18,238
Town Clock Fund				95	95
Encumbrances	232,409				232,409
Carryforward appropriations	17,496				17,496
Unassigned:					
Unassigned - General operations	5,147,652				5,147,652
	$ 7,779,083	$ 25,429	$ 1,950,446	$ 1,216,524	$ 10,971,482

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, 2018, 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, 2018.

Property and Liability Insurance

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

Worker's Compensation

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

During the year ended December 31, 2018, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

Government-Wide Statements

The impact on net position of the Governmental Activities and Business-type Activities as of January 1, 2018 is as follows:

	Governmental Activities	Business-type Activities
Net Position - January 1, 2018 (as previously reported)	$ 17,853,107	$ 6,118,181
Amount of restatement due to:		
Deferred outflows of resources related to OPEB liability	19,839	752
OPEB liability	(1,020,120)	(63,334)
Deferred inflows of resources related to OPEB liability	(675)	(26)
Net Position - January 1, 2018, as restated	$ 16,852,151	$ 6,055,573

Proprietary Funds

The impact on net position of the Water and Sewer Funds as of January 1, 2018 is as follows:

	Water Fund	Sewer Fund
Net Position - January 1, 2018 (as previously reported)	$ 3,448,348	$ 2,669,833
Amount of restatement due to:		
Deferred outflows of resources related to OPEB liability		752
OPEB liability	(24,089)	(39,245)
Deferred inflows of resources related to OPEB liability		(26)
Net Position - January 1, 2018, as restated	$ 3,424,259	$ 2,631,314

NOTE 18— SUBSEQUENT EVENT

The Town has agreed, in principle, relative to a property tax settlement agreement with a commercial taxpayer regarding the property valuations for 2014 and 2016. Under the proposed agreement accepted by the Board of Selectmen, the Town is to reimburse the taxpayer a total of $355,892 in six semi-annual installments through July 1, 2022.

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, 2018

	Budgeted Amounts			Variance with Final Budget - Favorable (Unfavorable)
	Original	Final	Actual Amounts	
Revenues:				
Taxes	$ 4,423,053	$ 4,423,053	$ 4,470,525	$ 47,472
Licenses and permits	1,299,110	1,299,110	1,603,582	304,472
Intergovernmental	556,716	554,719	559,944	5,225
Charges for services	131,051	131,051	194,865	63,814
Interest and investment income	30,000	30,000	66,236	36,236
Miscellaneous	35,000	35,000	41,320	6,320
Total Revenues	6,474,930	6,472,933	6,936,472	463,539
Expenditures:				
Current:				
General government	1,322,652	1,322,652	1,162,281	160,371
Public safety	1,907,287	1,907,287	1,785,233	122,054
Highways and streets	1,285,334	1,257,081	1,109,465	147,616
Sanitation	266,450	266,450	251,697	14,753
Health and welfare	112,465	112,465	59,348	53,117
Culture and recreation	41,602	41,602	34,965	6,637
Economic development	355	355	2,000	(1,645)
Capital outlay	541,346	541,346	536,322	5,024
Debt service:				
Principal retirement	571,000	571,000	571,000	-
Interest and fiscal charges	191,781	191,781	191,779	2
Total Expenditures	6,240,272	6,212,019	5,704,090	507,929
Excess of revenues over (under) expenditures	234,658	260,914	1,232,382	971,468
Other financing sources (uses):				
Transfers in	87,603	78,843	77,749	(1,094)
Transfers out	(922,207)	(922,207)	(922,207)	-
Total other financing sources (uses)	(834,604)	(843,364)	(844,458)	(1,094)
Net change in fund balance	(599,946)	(582,450)	387,924	970,374
Fund balance at beginning of year - Budgetary Basis	5,284,543	5,284,543	5,284,543	-
Fund balance at end of year - Budgetary Basis	$ 4,684,597	$ 4,702,093	$ 5,672,467	$ 970,374

See accompanying notes to the required supplementary information

SCHEDULE 2
TOWN OF PEMBROKE, NEW HAMPSHIRE
Schedule of Changes in the Town's Proportionate Share of the Net OPEB Liability
For the Year Ended December 31, 2018

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

See accompanying notes to the required supplementary information

SCHEDULE 3
TOWN OF PEMBROKE, NEW HAMPSHIRE
Schedule of Town OPEB Contributions
For the Year Ended December 31, 2018

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

See accompanying notes to the required supplementary information

SCHEDULE 4
TOWN OF PEMBROKE, NEW HAMPSHIRE
Schedule of Changes in the Town's Total OPEB Liability and Related Ratios
For the Year Ended December 31, 2018

	Town 2018	Water Fund * 2018	Totals 2018
Total OPEB Liability:			
Service cost	$ 38,401	$ 2,361	$ 40,762
Interest	31,669	910	32,579
Changes of assumptions or other inputs	(91,774)	(2,497)	(94,271)
Differences between expected and actual experience	(189,468)		(189,468)
Benefit payments	(67,952)		(67,952)
Net change in total OPEB liability	(279,124)	774	(278,350)
Total OPEB liability - beginning	915,871	24,089	939,960
Total OPEB liability - ending	$ 636,747	$ 24,863	$ 661,610
Covered employee payroll	$ 1,780,957	$ 226,271	$ 2,007,228
Total OPEB liability as a percentage of covered employee payroll	35.75%	10.99%	32.96%

* Note: The Water Fund received a separate actuarial valuation

See accompanying notes to the required supplementary information

SCHEDULE 5

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, 2018

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

See accompanying notes to the required supplementary information

SCHEDULE 6
TOWN OF PEMBROKE, NEW HAMPSHIRE
Schedule of Town Pension Contributions
For the Year Ended December 31, 2018

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

See accompanying notes to the required supplementary information

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 as follows:

	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
Per Exhibit D	$ 6,883,486	$ 6,168,107
Difference in property taxes meeting susceptible to accrual criteria	60,940	
Encumbrances - December 31, 2018		612,409
Encumbrances - December 31, 2017		(544,164)
Non-budgetary revenues and expenditures	(7,954)	(307,627)
Budgetary transfers	77,749	697,572
Per Schedule 1	$ 7,014,221	$ 6,626,297

NOTE 2—BUDGETARY FUND BALANCES

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

Nonspendable:	
Prepaid expenses	$ 8,430
Restricted for:	
K-9 Donations	11,816
Assigned for:	
Carryforward appropriations	17,496
Unassigned:	
Unassigned - General operations	5,634,725
	$ 5,672,467

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

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

presented for those years which information was readily available. Additional disclosures will be made in future years as additional information becomes available.

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

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

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

Change in Actuarial Assumptions

For the December 31, 2018 actuarial valuation of both the Town and the Water Fund, the discount rate was increased from 3.44% as of January 1, 2018 to 4.11% as of December 31, 2018.

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

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

Change in Actuarial Assumptions

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

SCHEDULE A
TOWN OF PEMBROKE, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Funds
December 31, 2018

	Total Special Revenue Funds	Permanent Funds	Total Nonmajor Funds
ASSETS			
Cash and cash equivalents	$ 150,933	$ 4,682	$ 155,615
Investments		73,192	73,192
Taxes receivable, net	4,450		4,450
Accounts receivable, net	143,918		143,918
Due from other funds	884,849		884,849
Total Assets	1,184,150	77,874	1,262,024
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	-	-	-
Total Assets and Deferred Outflows of Resources	$ 1,184,150	$ 77,874	$ 1,262,024
LIABILITIES			
Accounts payable	$ 15,008		$ 15,008
Accrued expenses	30,492		30,492
Total Liabilities	45,500	$ -	45,500
DEFERRED INFLOWS OF RESOURCES			
Total Deferred Inflows of Resources	-	-	-
FUND BALANCES			
Nonspendable		37,613	37,613
Restricted	14,217	40,261	54,478
Committed	1,106,100		1,106,100
Assigned	18,333		18,333
Total Fund Balances	1,138,650	77,874	1,216,524
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 1,184,150	$ 77,874	$ 1,262,024

SCHEDULE A-1
TOWN OF PEMBROKE, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Special Revenue Funds
December 31, 2018

	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									
Cash and cash equivalents								$ 150,933	$ 150,933
Taxes receivable, net						$ 4,450			4,450
Accounts receivable, net		$ 240						143,678	143,918
Due from other funds	$ 18,629	30,318	$ 2,427	$ 95	$ 5,199	268,709	$ 7,591	551,881	884,849
Total Assets	18,629	30,558	2,427	95	5,199	273,159	7,591	846,492	1,184,150
DEFERRED OUTFLOWS OF RESOURCES									
Total Deferred Outflows of Resources	-	-	-	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	$ 18,629	$ 30,558	$ 2,427	$ 95	$ 5,199	$ 273,159	$ 7,591	$ 846,492	$ 1,184,150
LIABILITIES									
Accounts payable	$ 391		$ 1,000					$ 13,617	$ 15,008
Accrued expenses								30,492	30,492
Total Liabilities	391	$ -	1,000	$ -	$ -	$ -	$ -	44,109	45,500
DEFERRED INFLOWS OF RESOURCES									
Total Deferred Inflows of Resources	-	-	-	-	-	-	-	-	-
FUND BALANCES									
Restricted			1,427		5,199		7,591		14,217
Committed		30,558				273,159		802,383	1,106,100
Assigned	18,238			95					18,333
Total Fund Balances	18,238	30,558	1,427	95	5,199	273,159	7,591	802,383	1,138,650
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 18,629	$ 30,558	$ 2,427	$ 95	$ 5,199	$ 273,159	$ 7,591	$ 846,492	$ 1,184,150

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, 2018

	Total Special Revenue Funds	Permanent Funds	Total Nonmajor Funds
Revenues:			
Taxes	$ 28,860		$ 28,860
Intergovernmental revenue	181,413		181,413
Charges for services	537,219		537,219
Interest and investment income (loss)	900	$ (4,634)	(3,734)
Miscellaneous	15,763		15,763
Total Revenues	764,155	(4,634)	759,521
Expenditures:			
Current operations:			
Public safety	767,530		767,530
Health and welfare	1,000		1,000
Culture and recreation	61,569		61,569
Capital outlay	3,439		3,439
Total Expenditures	833,538	-	833,538
Excess of revenues over (under) expenditures	(69,383)	(4,634)	(74,017)
Other financing sources (uses):			
Transfers in	224,635		224,635
Total other financing sources (uses)	224,635	-	224,635
Net change in fund balances	155,252	(4,634)	150,618
Fund balances at beginning of year	983,398	82,508	1,065,906
Fund balances at end of year	$ 1,138,650	$ 77,874	$ 1,216,524

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, 2018

	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						$ 28,860			$ 28,860
Intergovernmental revenue		$ 1,080						$ 180,333	181,413
Charges for services	$ 53,628	28,590						455,001	537,219
Interest and investment income								900	900
Miscellaneous	2,307	5,000	$ 2,185					6,271	15,763
Total Revenues	55,935	34,670	2,185	$ -	$ -	28,860	$ -	642,505	764,155
Expenditures:									
Current operations:									
Public safety		35,651			2,650			729,229	767,530
Health and welfare			1,000						1,000
Culture and recreation	61,569								61,569
Capital outlay						3,439			3,439
Total Expenditures	61,569	35,651	1,000	-	2,650	3,439	-	729,229	833,538
Excess of revenues over (under) expenditures	(5,634)	(981)	1,185	-	(2,650)	25,421	-	(86,724)	(69,383)
Other financing sources (uses):									
Transfers in								224,635	224,635
Total other financing sources (uses)	-	-	-	-	-	-	-	224,635	224,635
Net change in fund balances	(5,634)	(981)	1,185	-	(2,650)	25,421	-	137,911	155,252
Fund balances at beginning of year	23,872	31,539	242	95	7,849	247,738	7,591	664,472	983,398
Fund balances at end of year	$ 18,238	$ 30,558	$ 1,427	$ 95	$ 5,199	$ 273,159	$ 7,591	$ 802,383	$ 1,138,650

SCHEDULE C
TOWN OF PEMBROKE, NEW HAMPSHIRE
Combining Statement of Fiduciary Net Position
Fiduciary Funds - All Agency Funds
December 31, 2018

	School Agency Fund	Performance Bond Agency Fund	Total Agency Funds
ASSETS			
Cash and cash equivalents	$ 822,963	$ 36,290	$ 859,253
Investments	899,908		899,908
Total Assets	$ 1,722,871	$ 36,290	$ 1,759,161
LIABILITIES			
Deposits		$ 36,290	$ 36,290
Due to other governments	$ 1,722,871		1,722,871
Total Liabilities	$ 1,722,871	$ 36,290	$ 1,759,161