

TOWN OF PEMBROKE, NEW HAMPSHIRE

Financial Statements

December 31, 2021

and

Independent Auditor's Report

TOWN OF PEMBROKE, NEW HAMPSHIRE
FINANCIAL STATEMENTS
December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen
Town of Pembroke, New Hampshire

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pembroke, New Hampshire, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Town of Pembroke, New Hampshire's basic financial statements as listed in the table of contents.

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, 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Pembroke, New Hampshire, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Pembroke, New Hampshire's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Pembroke, New Hampshire's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Pembroke, New Hampshire's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 schedule of Town pension contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our

inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Pembroke, New Hampshire's basic financial statements. The combining nonmajor governmental fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor governmental fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Nashon Clukay & Company PC

Manchester, New Hampshire
February 16, 2023

TOWN OF PEMBROKE, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2021

Presented herewith please find the Management Discussion & Analysis Report for the Town of Pembroke for the year ending December 31, 2021. The responsibility for accuracy of the data, the completeness and fairness of this documentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in material aspects. This report and its content have been designed to fairly present the Town's financial position, including the result of operations of all the funds of the Town. All the disclosures necessary to enable and to assist the reader in acquiring an accurate understanding of the Town's financial activities have been included.

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

Overview of the Financial Statements

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

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

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

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

Government-Wide Financial Statements

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

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

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

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

TOWN OF PEMBROKE, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2021

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

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

Fund Financial Statements

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

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

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

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

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

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

Notes to the Basic Financial Statements

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

TOWN OF PEMBROKE, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
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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 the nonmajor governmental funds.

Government-Wide Financial Analysis

Governmental Activities

The table below provides a summary of the Town's net position of its governmental activities as of December 31, 2021 compared with 2020.

	<u>2021</u>	(as restated) <u>2020</u>
Current and Other Assets:		
Capital assets	\$ 17,177,633	\$ 17,209,554
Other assets	11,953,057	11,623,277
Total Assets	<u>29,130,690</u>	<u>28,832,831</u>
Deferred Outflows of Resources	<u>755,201</u>	<u>1,272,697</u>
Long-term and Other Liabilities:		
Long-term obligations	6,806,710	9,151,915
Other liabilities	877,626	1,168,248
Total Liabilities	<u>7,684,336</u>	<u>10,320,163</u>
Deferred Inflows of Resources	<u>1,154,267</u>	<u>143,282</u>
Net Position:		
Net investment in capital assets	14,822,134	14,087,680
Restricted	106,592	102,570
Unrestricted	6,118,562	5,451,833
Total Net Position	<u>\$ 21,047,288</u>	<u>\$ 19,642,083</u>

The Town's net position totaled \$21,047,288 at December 31, 2021, an increase of \$1,405,205 when compared to the end of 2020.

TOWN OF PEMBROKE, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2021

Approximately 70% 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, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Program revenues:		
Charges for services	\$ 783,076	\$ 608,526
Operating grants and contributions	390,904	604,644
Capital grants and contributions	65,000	-
Total program revenues	<u>1,238,980</u>	<u>1,213,170</u>
General revenues:		
Property and other taxes	4,254,298	3,959,620
Licenses and permits	1,742,412	1,705,677
Intergovernmental revenue	519,719	463,462
Interest and investment earnings	27,072	51,010
Miscellaneous	16,563	81,387
Total general revenues	<u>6,560,064</u>	<u>6,261,156</u>
Total revenues	<u>7,799,044</u>	<u>7,474,326</u>
Program expenses:		
General government	1,229,668	1,313,993
Public safety	2,887,234	3,298,536
Highways and streets	1,584,638	1,632,698
Sanitation	246,873	284,726
Health and welfare	63,318	61,010
Culture and recreation	287,790	288,589
Conservation	1,305	3,184
Interest and fiscal charges	71,992	91,577
Total expenses	<u>6,372,818</u>	<u>6,974,313</u>
Increase in net position before gain/(loss) on disposal of capital assets	1,426,226	500,013
Net gain/(loss) on disposal of capital assets	<u>(21,021)</u>	<u>34,000</u>
Change in net position	1,405,205	534,013
Net position - beginning of year, as restated	<u>19,642,083</u>	<u>19,108,070</u>
Net position - ending of year	<u>\$ 21,047,288</u>	<u>\$ 19,642,083</u>

As shown in the above statement the Town experienced an improvement in financial position of \$1,405,205 on the full accrual basis of accounting.

TOWN OF PEMBROKE, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2021

Business-type Activities

The table below provides a summary of the Town's net position of its business-type activities as of December 31, 2021 compared with 2020.

	<u>2021</u>	<u>2020</u>
Current and Other Assets:		
Capital assets	\$ 4,913,086	\$ 4,799,110
Other assets	3,383,261	3,252,024
Total Assets	<u>8,296,347</u>	<u>8,051,134</u>
Deferred Outflows of Resources	<u>25,421</u>	<u>31,297</u>
Long-term and Other Liabilities:		
Long-term obligations	590,555	538,312
Other liabilities	91,229	89,018
Total Liabilities	<u>681,784</u>	<u>627,330</u>
Deferred Inflows of Resources	<u>38,855</u>	<u>3,524</u>
Net Position:		
Net investment in capital assets	4,457,322	4,419,394
Unrestricted	3,143,807	3,032,183
Total Net Position	<u>\$ 7,601,129</u>	<u>\$ 7,451,577</u>

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

Changes in net position for the business-type activities for the year ending December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Program revenues:		
Charges for services	\$ 2,091,130	\$ 2,428,784
Capital grants and contributions	1,921	149,269
Total program revenues	<u>2,093,051</u>	<u>2,578,053</u>
General revenues:		
Interest and investment earnings	1,831	9,911
Total general revenues	<u>1,831</u>	<u>9,911</u>
Total revenues	<u>2,094,882</u>	<u>2,587,964</u>
Program expenses:		
Water distribution and treatment	926,168	810,761
Sanitation	1,019,162	1,054,296
Total expenses	<u>1,945,330</u>	<u>1,865,057</u>
Change in net position	149,552	722,907
Net position - beginning of year	7,451,577	6,728,670
Net position - ending of year	<u>\$ 7,601,129</u>	<u>\$ 7,451,577</u>

TOWN OF PEMBROKE, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2021

The main funding source for business-type activities is the charges for services. Net position increased by \$149,552 in 2021 due to revenues exceeding expenses in the water and sewer funds.

Financial Analysis of the Town's Funds

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

Governmental Funds

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

General Fund

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the General Fund had a total fund balance of \$9,535,531. The fund balance components at year end are detailed on pages 36-37 of the Notes to the Basic Financial Statements.

The General Fund balance decreased by \$244,299 (or 2.5%) from December 31, 2020.

Ambulance Fund

The Ambulance Fund accounts for the financial transactions related to the Town's ambulance and emergency medical services. The Town of Pembroke has an intermunicipal contract with the Town of Allenstown to provide ambulance services to the two communities. The fund balance as of December 31, 2021 is \$960,248, which is an increase of \$156,244 from the prior year end.

Other Governmental Funds

The total fund balance of \$691,185 in the other governmental funds is designated for the purposes of the individually established funds. There was an increase in fund balance of \$72,644 in the nonmajor governmental funds during the year ended December 31, 2021. The majority of this increase is the result of the recognition of \$68,280 in land use change taxes in the Conservation Commission Fund. See the supplemental schedules on pages 48-53.

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 \$3,143,807 at December 31, 2021, which is an increase of \$111,624 (or 3.68%) from December 31, 2020. The net investment in capital assets increased by \$37,928 (or 0.86%) from December 31, 2020.

TOWN OF PEMBROKE, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2021

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, 2021 amounts to \$17,177,663 and \$4,913,086, respectively. This investment in capital assets includes infrastructure, buildings and improvements, vehicles and equipment. See Note 3 in the Notes to the Basic Financial Statements for a summary of all capital assets.

Long-Term Obligations

The Water fund issued new note obligations during the year ended December 31, 2021 in the amount \$275,000. Debt service payments were made in accordance with the scheduled payments. The balance of the bonds payable in the governmental activities and the notes payable in the business-type activities decreased by \$650,565 and \$198,952, respectively during 2021.

The Town has settled with two commercial taxpayers regarding the Town's assessment of their property. In accordance with the settlement agreements, the Town is refunding the commercial taxpayers in installments, without interest. Both obligations were paid off during the year ended December 31, 2021.

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

General Fund Budgetary Highlights

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

Actual revenues and other financing sources on the budgetary basis exceeded the budgeted amount by \$212,685 or 3.34%. The recognized revenue from charges for services exceeded the estimated amount by \$121,457.

The original appropriations decreased by \$188,425 representing approved appropriations of \$188,425 carried forward to 2022. The Town under expended its budget by \$387,047 or 5.08% of the total appropriations. Demonstrating fiscal restraint, Town officials were able to manage the Town's business under budget. The key areas of savings resulted within general government and public safety.

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

TOWN OF PEMBROKE, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2021

Associated Grocers of New England, which is the largest taxpayer employing well over 300 people from all of the surrounding areas.

The Town still hopes that their infrastructure investment in the Tax Increment Financing District shows some growth in the very near future. The property continues to be actively marketed by the owner.

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.

In 2021, the Town applied \$320,000 of Fund Balance to purchase a new trash and recycling truck, and another \$610,000 to invest in their Capital Reserve Funds. The Town's goal in 2022 is to again fund \$650,000 of Capital Reserve monies.

In 2021, the Town's 10 year contract with their trash and recycling company came to an end. The Town looked at proposals to continue as they are and pick trash and recycling, or to privatize the collections. The requests for proposals were returned and the Town only received one bid to privatize and it was substantially higher than what the Town currently pays to handle it themselves. While the Town received very favorable rates over the last 10 years of the contract, with the unknown certainties with both the recycling commodities and the lack of landfills, the Town's new contract increased substantially.

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, 2021

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 9,355,231	\$ 1,585,230	\$ 10,940,461
Investments	2,159,610	900,212	3,059,822
Taxes receivable, net	405,794		405,794
Accounts receivable, net	220,246	515,629	735,875
Due from other governments	378	10,046	10,424
Prepaid items	75,158		75,158
Inventory		32,610	32,610
Internal balances	(263,360)	263,360	-
Total Current Assets	<u>11,953,057</u>	<u>3,307,087</u>	<u>15,260,144</u>
Noncurrent Assets:			
Due from other governments		76,174	76,174
Non-depreciable capital assets	4,359,358	53,991	4,413,349
Depreciable capital assets, net	<u>12,818,275</u>	<u>4,859,095</u>	<u>17,677,370</u>
Total Noncurrent Assets	<u>17,177,633</u>	<u>4,989,260</u>	<u>22,166,893</u>
Total Assets	<u>29,130,690</u>	<u>8,296,347</u>	<u>37,427,037</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to OPEB liability	15,165	510	15,675
Deferred outflows of resources related to net pension liability	<u>740,036</u>	<u>24,911</u>	<u>764,947</u>
Total Deferred Outflows of Resources	<u>755,201</u>	<u>25,421</u>	<u>780,622</u>
LIABILITIES			
Current Liabilities:			
Accounts payable		21,302	21,302
Accrued liabilities	187,699	7,951	195,650
Advances from grantors	377,040		377,040
Due to other governments	5,887		5,887
Current portion of bonds payable	300,000		300,000
Current portion of notes payable		61,976	61,976
Current portion of estimated liability for landfill post-closure care costs	<u>7,000</u>		<u>7,000</u>
Total Current Liabilities	<u>877,626</u>	<u>91,229</u>	<u>968,855</u>
Noncurrent Liabilities:			
Bonds payable	2,363,966		2,363,966
Notes payable		393,788	393,788
State of New Hampshire Revolving loan payable	11,177		11,177
Compensated absences payable	44,850		44,850
Estimated liability for landfill post-closure care costs	140,000		140,000
OPEB liability	981,514	86,853	1,068,367
Net pension liability	<u>3,265,203</u>	<u>109,914</u>	<u>3,375,117</u>
Total Noncurrent Liabilities	<u>6,806,710</u>	<u>590,555</u>	<u>7,397,265</u>
Total Liabilities	<u>7,684,336</u>	<u>681,784</u>	<u>8,366,120</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to OPEB liability	3,539	119	3,658
Deferred inflows of resources related to net pension liability	<u>1,150,728</u>	<u>38,736</u>	<u>1,189,464</u>
Total Deferred Inflows of Resources	<u>1,154,267</u>	<u>38,855</u>	<u>1,193,122</u>
NET POSITION			
Net investment in capital assets	14,822,134	4,457,322	19,279,456
Restricted	106,592		106,592
Unrestricted	<u>6,118,562</u>	<u>3,143,807</u>	<u>9,262,369</u>
Total Net Position	<u>\$ 21,047,288</u>	<u>\$ 7,601,129</u>	<u>\$ 28,648,417</u>

See accompanying notes to the basic financial statements

EXHIBIT B
TOWN OF PEMBROKE, NEW HAMPSHIRE
Statement of Activities
For the Year Ended December 31, 2021

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
Governmental Activities:						
General government	\$ 1,229,668	\$ 125,675		\$ (1,103,993)		\$ (1,103,993)
Public safety	2,887,234	531,652	\$ 229,197	(2,061,385)		(2,061,385)
Highways and streets	1,584,638	4,485	161,707	(1,418,446)		(1,418,446)
Sanitation	246,873	92,569		(154,304)		(154,304)
Health and welfare	63,318			(63,318)		(63,318)
Culture and recreation	287,790	28,695		(259,095)		(259,095)
Conservation	1,305			(1,305)		(1,305)
Interest and fiscal charges	71,992			(71,992)		(71,992)
Total governmental activities	6,372,818	783,076	390,904	(5,133,838)	\$ -	(5,133,838)
Business-type activities:						
Water Department	926,168	960,725			34,557	34,557
Sewer Department	1,019,162	1,130,405			113,164	113,164
Total business-type activities	1,945,330	2,091,130	-	-	147,721	147,721
Total primary government	\$ 8,318,148	\$ 2,874,206	\$ 390,904	(5,133,838)	147,721	(4,986,117)
General revenues:						
Property and other taxes				4,254,298		4,254,298
Licenses and permits				1,742,412		1,742,412
Grants and contributions:						
Rooms and meals tax distribution				519,719		519,719
Interest and investment earnings				27,072	1,831	28,903
Miscellaneous				16,563		16,563
Net loss on disposal of capital assets				(21,021)		(21,021)
Total general revenues and net loss on disposal of capital assets				6,539,043	1,831	6,540,874
Change in net position						
Net Position at beginning of year, as restated				1,405,205	149,552	1,554,757
Net Position at end of year				19,642,083	7,451,577	27,093,660
				\$ 21,047,288	\$ 7,601,129	\$ 28,648,417

See accompanying notes to the basic financial statements

EXHIBIT C
TOWN OF PEMBROKE, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2021

	General Fund	Ambulance Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 8,556,472	\$ 448,680	\$ 350,079	\$ 9,355,231
Investments	2,071,021		88,589	2,159,610
Taxes receivable, net	397,194		8,600	405,794
Accounts receivable, net	50,967	169,279		220,246
Due from other governments	378			378
Due from other funds	41,612	362,335	285,529	689,476
Prepaid items	75,158			75,158
Total Assets	<u>11,192,802</u>	<u>980,294</u>	<u>732,797</u>	<u>12,905,893</u>
DEFERRED OUTFLOWS OF RESOURCES				
Total Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 11,192,802</u>	<u>\$ 980,294</u>	<u>\$ 732,797</u>	<u>\$ 12,905,893</u>
LIABILITIES				
Accrued liabilities	\$ 123,415	\$ 20,046		\$ 143,461
Advances from grantors	377,040			377,040
Due to other governments	5,887			5,887
Due to other funds	911,224		\$ 41,612	952,836
Total Liabilities	<u>1,417,566</u>	<u>20,046</u>	<u>41,612</u>	<u>1,479,224</u>
DEFERRED INFLOWS OF RESOURCES				
Uncollected property taxes	239,705			239,705
Total Deferred Inflows of Resources	<u>239,705</u>	<u>-</u>	<u>-</u>	<u>239,705</u>
FUND BALANCES				
Nonspendable	75,158		45,620	120,778
Restricted	10,068		359,371	369,439
Committed	2,203,806	960,248	284,344	3,448,398
Assigned	1,102,244		1,850	1,104,094
Unassigned	6,144,255			6,144,255
Total Fund Balances	<u>9,535,531</u>	<u>960,248</u>	<u>691,185</u>	<u>11,186,964</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 11,192,802</u>	<u>\$ 980,294</u>	<u>\$ 732,797</u>	<u>\$ 12,905,893</u>

See accompanying notes to the basic financial statements

EXHIBIT C-1
TOWN OF PEMBROKE, NEW HAMPSHIRE
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2021

Total Fund Balances - Governmental Funds (Exhibit C)	\$ 11,186,964
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.	17,177,633
Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis.	239,705
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	15,165
Deferred outflows of resources related to net pension liability	740,036
Deferred inflows of resources related to OPEB liability	(3,539)
Deferred inflows of resources related to net pension liability	(1,150,728)
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	(2,663,966)
State of New Hampshire Revolving loan payable	(11,177)
Accrued interest on long-term obligations	(44,238)
Compensated absences payable	(44,850)
Estimated liability for landfill post-closure care costs	(147,000)
OPEB liability	(981,514)
Net pension liability	<u>(3,265,203)</u>
Net Position of Governmental Activities (Exhibit A)	<u>\$ 21,047,288</u>

See accompanying notes to the basic financial statements

EXHIBIT D
TOWN OF PEMBROKE, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2021

	General <u>Fund</u>	Ambulance <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:				
Taxes	\$ 3,651,895		\$ 68,280	\$ 3,720,175
Licenses and permits	1,742,412			1,742,412
Intergovernmental	681,426	\$ 225,081	4,116	910,623
Charges for services	266,957	462,004	54,115	783,076
Interest and investment income	18,690	2,050	6,332	27,072
Miscellaneous	12,483	2,000	2,080	16,563
Total Revenues	<u>6,373,863</u>	<u>691,135</u>	<u>134,923</u>	<u>7,199,921</u>
Expenditures:				
Current operations:				
General government	1,210,903		508	1,211,411
Public safety	2,018,554	818,274	29,310	2,866,138
Highways and streets	1,153,432			1,153,432
Sanitation	253,873			253,873
Health and welfare	61,389		1,500	62,889
Culture and recreation	262,252		30,961	293,213
Conservation	1,305			1,305
Capital outlay	650,890			650,890
Debt service:				
Principal retirement	600,000			600,000
Interest and fiscal charges	133,358			133,358
Total Expenditures	<u>6,345,956</u>	<u>818,274</u>	<u>62,279</u>	<u>7,226,509</u>
Excess of revenues over (under) expenditures	<u>27,907</u>	<u>(127,139)</u>	<u>72,644</u>	<u>(26,588)</u>
Other financing sources (uses):				
State of New Hampshire revolving loan issuance	11,177			11,177
Transfers in		283,383		283,383
Transfers out	(283,383)			(283,383)
Total Other financing sources (uses)	<u>(272,206)</u>	<u>283,383</u>	<u>-</u>	<u>11,177</u>
Net change in fund balances	(244,299)	156,244	72,644	(15,411)
Fund Balances at beginning of year	<u>9,779,830</u>	<u>804,004</u>	<u>618,541</u>	<u>11,202,375</u>
Fund Balances at end of year	<u>\$ 9,535,531</u>	<u>\$ 960,248</u>	<u>\$ 691,185</u>	<u>\$ 11,186,964</u>

See accompanying notes to the basic financial statements

EXHIBIT D-1
TOWN OF PEMBROKE, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2021

Net Change in Fund Balances--Total Governmental Funds \$ (15,411)

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.

Depreciation expense and capital outlays for the current year are as follows:

Capital outlays	712,474
Depreciation expense	(698,374)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the net loss of disposed capital assets reduced by the actual proceeds received. (46,021)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds as follows:

Property tax revenue	56,585
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Repayment of principal on long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Repayments in the current year are as follows:

Bond principal paid	600,000
Other long-term obligations	477,538

Proceeds from state revolving loan funds are other financing sources in the governmental funds, but the state revolving loan funds increase long-term liabilities in the statement of net position. (11,177)

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	50,565
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 10,801

Certain items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. These items are from the following activities:

Compensated absences payable	480
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	64,988
Net changes in pension	195,757

Change in Net Position of Governmental Activities (Exhibit B) \$ 1,405,205

See accompanying notes to the basic financial statements

EXHIBIT E
TOWN OF PEMBROKE, NEW HAMPSHIRE
Statement of Net Position
Proprietary Funds
December 31, 2021

	Business-type Activities		
	Water <u>Fund</u>	Sewer <u>Fund</u>	<u>Totals</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 761,811	\$ 823,419	\$ 1,585,230
Investments	30,945	869,267	900,212
Accounts receivable, net	192,875	322,754	515,629
Due from other governments		10,046	10,046
Due from other funds		263,360	263,360
Inventory	32,610		32,610
Total Current Assets	<u>1,018,241</u>	<u>2,288,846</u>	<u>3,307,087</u>
Noncurrent Assets:			
Due from other governments		76,174	76,174
Non-depreciable capital assets	31,935	22,056	53,991
Depreciable capital assets, net	<u>3,360,251</u>	<u>1,498,844</u>	<u>4,859,095</u>
Total Noncurrent Assets	<u>3,392,186</u>	<u>1,597,074</u>	<u>4,989,260</u>
Total Assets	<u>4,410,427</u>	<u>3,885,920</u>	<u>8,296,347</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to OPEB liability		510	510
Deferred outflows of resources related to net pension liability		<u>24,911</u>	<u>24,911</u>
Total Deferred Outflows of Resources	<u>-</u>	<u>25,421</u>	<u>25,421</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	20,641	661	21,302
Accrued liabilities	7,951		7,951
Current portion of notes payable	<u>61,976</u>		<u>61,976</u>
Total Current Liabilities	<u>90,568</u>	<u>661</u>	<u>91,229</u>
Noncurrent Liabilities:			
Notes payable	393,788		393,788
OPEB liability	53,095	33,758	86,853
Net pension liability		<u>109,914</u>	<u>109,914</u>
Total Noncurrent Liabilities	<u>446,883</u>	<u>143,672</u>	<u>590,555</u>
Total Liabilities	<u>537,451</u>	<u>144,333</u>	<u>681,784</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to OPEB liability		119	119
Deferred inflows of resources related to net pension liability		<u>38,736</u>	<u>38,736</u>
Total Deferred Inflows of Resources	<u>-</u>	<u>38,855</u>	<u>38,855</u>
NET POSITION			
Net investment in capital assets	2,936,422	1,520,900	4,457,322
Unrestricted	<u>936,554</u>	<u>2,207,253</u>	<u>3,143,807</u>
Total Net Position	<u>\$ 3,872,976</u>	<u>\$ 3,728,153</u>	<u>\$ 7,601,129</u>

See accompanying notes to the basic financial statements

EXHIBIT F
TOWN OF PEMBROKE, NEW HAMPSHIRE
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2021

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
Operating revenues:			
Charges for services	\$ 890,078	\$ 1,126,820	\$ 2,016,898
Miscellaneous revenues	70,647	3,585	74,232
Total Operating revenues	<u>960,725</u>	<u>1,130,405</u>	<u>2,091,130</u>
Operating expenses:			
Personnel services	358,577	162,728	521,305
Contractual services	125,802	627,922	753,724
Materials and supplies	133,522	3,959	137,481
Maintenance and repairs	14,717	17,678	32,395
Utilities	97,724	26,950	124,674
Depreciation	142,927	158,237	301,164
Miscellaneous expenses	41,095	20,594	61,689
Total Operating expenses	<u>914,364</u>	<u>1,018,068</u>	<u>1,932,432</u>
Operating income	<u>46,361</u>	<u>112,337</u>	<u>158,698</u>
Non-operating revenues (expenses):			
Interest revenue	1,303	528	1,831
Interest expense	(11,804)	(1,094)	(12,898)
Net Non-operating revenues (expenses)	<u>(10,501)</u>	<u>(566)</u>	<u>(11,067)</u>
Income before contributions	35,860	111,771	147,631
Capital contributions		1,921	1,921
Change in net position	35,860	113,692	149,552
Net Position at beginning of year	<u>3,837,116</u>	<u>3,614,461</u>	<u>7,451,577</u>
Net Position at end of year	<u>\$ 3,872,976</u>	<u>\$ 3,728,153</u>	<u>\$ 7,601,129</u>

See accompanying notes to the basic financial statements

EXHIBIT G
TOWN OF PEMBROKE, NEW HAMPSHIRE
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2021

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 982,568	\$ 1,258,193	\$ 2,240,761
Cash paid to suppliers	(503,859)	(748,620)	(1,252,479)
Cash paid to employees	(270,699)	(86,903)	(357,602)
Net cash provided by operating activities	<u>208,010</u>	<u>422,670</u>	<u>630,680</u>
Cash flows from capital and related financing activities:			
Proceeds from capital contributions		11,770	11,770
Purchases of capital assets	(362,905)	(52,235)	(415,140)
Proceeds of note payable	275,000		275,000
Principal paid on long-term debt	(65,007)	(133,945)	(198,952)
Interest paid on long-term debt	(11,804)	(1,340)	(13,144)
Net cash used for capital and related financing activities	<u>(164,716)</u>	<u>(175,750)</u>	<u>(340,466)</u>
Cash flows from investing activities:			
Sale of investments		149,811	149,811
Purchase of investments	(129)		(129)
Interest on investments	1,303	528	1,831
Net cash provided by investing activities	<u>1,174</u>	<u>150,339</u>	<u>151,513</u>
Net increase in cash and cash equivalents	44,468	397,259	441,727
Cash and cash equivalents at beginning of year	717,343	689,520	1,406,863
Cash and cash equivalents at end of year	<u>\$ 761,811</u>	<u>\$ 1,086,779</u>	<u>\$ 1,848,590</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 46,361	\$ 112,337	\$ 158,698
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	142,927	158,237	301,164
Change in deferred outflows of resources related to OPEB liability		(3)	(3)
Change in deferred outflows of resources related to net pension liability		5,879	5,879
Change in deferred inflows of resources related to OPEB liability		95	95
Change in deferred inflows of resources related to net pension liability		35,236	35,236
Changes in assets and liabilities:			
Accounts receivable, net	21,843	127,788	149,631
Inventory	1,328		1,328
Accounts payable	388	(6,161)	(5,773)
Accrued liabilities	1,586		1,586
OPEB liability	(6,423)	1,882	(4,541)
Net pension liability		(12,620)	(12,620)
Net cash provided by operating activities	<u>\$ 208,010</u>	<u>\$ 422,670</u>	<u>\$ 630,680</u>
Cash and cash equivalents at end of year consists of the following:			
Cash and cash equivalents	\$ 761,811	\$ 823,419	\$ 1,585,230
Due from other funds		263,360	263,360
Total cash and cash equivalents	<u>\$ 761,811</u>	<u>\$ 1,086,779</u>	<u>\$ 1,848,590</u>

See accompanying notes to the basic financial statements

EXHIBIT H
TOWN OF PEMBROKE, NEW HAMPSHIRE
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2021

	Custodial Funds
ASSETS	
Cash and cash equivalents	\$ 5,169,660
Investments	2,221,385
Taxes receivable	<u>417,142</u>
Total Assets	<u>7,808,187</u>
LIABILITIES	
Due to other governments	<u>5,519,351</u>
Total Liabilities	<u>5,519,351</u>
NET POSITION	
Restricted for:	
Individuals and other governments	<u>2,288,836</u>
Total Net Position	<u>\$ 2,288,836</u>

See accompanying notes to the basic financial statements

EXHIBIT I
TOWN OF PEMBROKE, NEW HAMPSHIRE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2021

	Custodial Funds
ADDITIONS:	
Investment earnings:	
Interest income	\$ 23,380
Realized gains on investments	74,572
Net increase in the fair value of investments	<u>102,296</u>
Total Investment earnings	<u>200,248</u>
 Property tax collections for other governments	 14,677,085
Motor vehicle fee collections for other governments	542,418
Expendable trust collections from other governments	52,500
Miscellaneous	<u>10,850</u>
Total Additions	<u>15,483,101</u>
 DEDUCTIONS:	
Beneficiary payments to other governments	18,500
Beneficiary payments to others	8,761
Payments of property tax to other governments	14,677,085
Payments of motor vehicle fees to other governments	542,418
Administrative expenses	<u>8,302</u>
Total Deductions	<u>15,255,066</u>
 Change in net position	 228,035
 Net Position at beginning of year	 <u>2,060,801</u>
Net Position at end of year	<u>\$ 2,288,836</u>

See accompanying notes to the basic financial statements

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

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

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

Fund Accounting

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

1. Governmental Funds:

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

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

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

2. Proprietary Funds:

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

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

3. Fiduciary Funds:

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

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

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.

The fiduciary funds are reported using the economic resources measurement focus.

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

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

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, taxes receivable that will not be collected within the available period have been reported as deferred inflows of resources.

2. Expenses/Expenditures:

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

Budgetary Data

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

State law requires balanced budgets but permits the use of beginning fund balance to reduce the property tax rate. For the year ended December 31, 2021, the Town applied \$500,000 of its unassigned fund balance to reduce taxes.

Investments

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

Taxes Receivable

Taxes levied during the current year and prior and uncollected at December 31, 2021 are recorded as receivables net of reserves for estimated uncollectible taxes of \$53,432.

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

Accounts Receivable

Accounts receivable are recorded net of reserves for estimated uncollectibles of \$828,363 in the Ambulance Fund and \$18,606 in the Sewer Fund.

Inventory

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

Capital Assets

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

All capital assets including infrastructure and intangible assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The Town maintains a capitalization threshold of \$10,000. The Town 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. 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.

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

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

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

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

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 Premiums

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

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

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 items) 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 governmental fund is also classified as unassigned.

Spending Prioritization

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

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

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

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

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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, 2021 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 10,940,461
Investments	3,059,822
Statement of Fiduciary Net Position:	
Cash and cash equivalents	5,169,660
Investments	2,221,385
Total deposits and investments	<u>\$ 21,391,328</u>

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

Deposits and investments as of December 31, 2021 consist of the following:

Cash on hand	\$ 1,198
Deposits with financial institutions	16,139,867
Investments	<u>5,250,263</u>
Total deposits and investments	<u>\$ 21,391,328</u>

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

Credit Risk

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating as of Year End</u>	
		<u>AAA-m</u>	<u>Not rated</u>
State investment pool	\$ 869,267	\$ 869,267	
Fixed income funds	136,769		\$ 136,769
Money market mutual funds	<u>3,212,274</u>		<u>3,212,274</u>
	<u>\$ 4,218,310</u>	<u>\$ 869,267</u>	<u>\$ 3,349,043</u>

Custodial Credit Risk

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

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

Of the Town's deposits at year end, \$15,262,837 was collateralized by securities held by the bank in the bank's name.

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

As of December 31, 2021, Town investments in the following investment types were held by the same counterparty that was used to buy the securities:

	<u>Investment Type</u>	<u>Amount</u>
Equity securities		\$ 329,134
Equity mutual funds		702,819
Fixed income funds		136,769
		<u>\$ 1,168,722</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The Town's investment policy for governmental and proprietary funds regarding interest rate risk indicates that safety and liquidity are the primary objectives. The Town minimizes its interest rate risk by maintaining a portfolio that is sufficiently liquid to enable the Town to meet all operating requirements as reasonably anticipated.

The Trustees of Trust Funds investment policy states that an investment objective is to preserve the long-term purchasing power of un-expendable trusts from the effects of inflation.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is provided by the following table that shows the distribution of investments by maturity:

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity (in Years)</u>		
		<u>0-1 Years</u>	<u>1-5 Years</u>	<u>> 5 Years</u>
Fixed income funds	<u>\$ 136,769</u>	<u>\$ 33,738</u>	<u>\$ 103,031</u>	<u>\$ -</u>

Investment in NHPDIP

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

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

Fair Value Measurement of Investments

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

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

- 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, 2021, the Town's investments measured at fair value, by type, were as follows:

<u>Investment Type</u>	<u>Total</u>	Fair Value Measurements Using:		
		<u>Level 1</u> <u>inputs</u>	<u>Level 2</u> <u>inputs</u>	<u>Level 3</u> <u>inputs</u>
Equity securities	\$ 329,134	\$ 329,134		
Equity mutual funds	702,819	702,819		
Fixed income funds	136,769	136,769		
	<u>\$ 1,168,722</u>	<u>\$ 1,168,722</u>	<u>\$ -</u>	<u>\$ -</u>

Equity securities, equity mutual funds, and fixed income funds classified as Level 1 are valued using unadjusted quoted prices in active markets for those securities.

NOTE 3—CAPITAL ASSETS

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

	(as restated) Balance <u>1/1/2021</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/2021</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 2,740,924			\$ 2,740,924
Easements	608,579			608,579
Construction in progress	1,850,335	\$ 535,654	\$ (1,376,134)	1,009,855
Total capital assets not being depreciated	<u>5,199,838</u>	<u>535,654</u>	<u>(1,376,134)</u>	<u>4,359,358</u>
Other capital assets:				
Intangible assets	60,960			60,960
Infrastructure	9,615,239	1,376,134		10,991,373
Buildings and improvements	3,928,493			3,928,493
Vehicles and equipment	7,827,448	176,820	(340,205)	7,664,063
Total other capital assets at historical cost	<u>21,432,140</u>	<u>1,552,954</u>	<u>(340,205)</u>	<u>22,644,889</u>
Less accumulated depreciation for:				
Intangible assets	(48,768)	(6,096)		(54,864)
Infrastructure	(1,704,192)	(274,784)		(1,978,976)
Buildings and improvements	(3,116,420)	(48,210)		(3,164,630)
Vehicles and equipment	(4,553,044)	(369,284)	294,184	(4,628,144)
Total accumulated depreciation	<u>(9,422,424)</u>	<u>(698,374)</u>	<u>294,184</u>	<u>(9,826,614)</u>
Total other capital assets, net	<u>12,009,716</u>	<u>854,580</u>	<u>(46,021)</u>	<u>12,818,275</u>
Total capital assets, net	<u>\$ 17,209,554</u>	<u>\$ 1,390,234</u>	<u>\$ (1,422,155)</u>	<u>\$ 17,177,633</u>

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

Depreciation expense was charged to governmental functions as follows:

General government	\$ 49,802
Public safety	190,418
Highways and streets	456,939
Culture and recreation	1,215
Total governmental activities depreciation expense	<u>\$ 698,374</u>

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

	Balance 1/1/2021	Additions	Reductions	Balance 12/31/2021
Business-type activities:				
Capital assets not depreciated:				
Land	\$ 31,935			\$ 31,935
Construction in progress	7,556	\$ 14,500		22,056
Total capital assets not being depreciated	<u>39,491</u>	<u>14,500</u>	<u>\$ -</u>	<u>53,991</u>
Other capital assets:				
Intangible assets	41,900			41,900
Building and improvements	1,067,454			1,067,454
Water infrastructure	3,016,827	325,403		3,342,230
Sewer infrastructure	3,450,524			3,450,524
Machinery, vehicles, and equipment	3,467,055	75,237		3,542,292
Other	29,865			29,865
Total other capital assets at historical cost	<u>11,073,625</u>	<u>400,640</u>	<u>-</u>	<u>11,474,265</u>
Less accumulated depreciation for:				
Intangible assets	(30,940)	(4,190)		(35,130)
Building and improvements	(273,059)	(34,141)		(307,200)
Water infrastructure	(1,196,302)	(70,545)		(1,266,847)
Sewer infrastructure	(2,642,907)	(115,017)		(2,757,924)
Machinery, vehicles, and equipment	(2,140,933)	(77,271)		(2,218,204)
Other	(29,865)			(29,865)
Total accumulated depreciation	<u>(6,314,006)</u>	<u>(301,164)</u>	<u>-</u>	<u>(6,615,170)</u>
Total other capital assets, net	<u>4,759,619</u>	<u>99,476</u>	<u>-</u>	<u>4,859,095</u>
Total capital assets, net	<u>\$ 4,799,110</u>	<u>\$ 113,976</u>	<u>\$ -</u>	<u>\$ 4,913,086</u>

Depreciation expense was charged to the proprietary funds as follows:

Water Fund	\$ 142,927
Sewer Fund	158,237
Total business-type activities depreciation expense	<u>\$ 301,164</u>

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

NOTE 4—LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

The changes in the Town's long-term obligations for the year ended December 31, 2021 are as follows:

	Balance 1/1/2021	Additions	Reductions	Balance 12/31/2021	Due Within One Year
<i>Governmental activities:</i>					
Bonds payable	\$ 3,000,000		\$ (600,000)	\$ 2,400,000	\$ 300,000
Unamortized bond premium	314,531		(50,565)	263,966	
Total Bonds payable	3,314,531	\$ -	(650,565)	2,663,966	300,000
State of New Hampshire Revolving loan payable		11,177		11,177	
Other long-term obligations	477,538		(477,538)	-	
Compensated absences payable	45,330	7,698	(8,178)	44,850	
Total governmental activities	<u>\$ 3,837,399</u>	<u>\$ 7,698</u>	<u>\$ (1,136,281)</u>	<u>\$ 2,708,816</u>	<u>\$ 300,000</u>
<i>Business-type activities:</i>					
Notes payable	\$ 379,716	\$ 275,000	\$ (198,952)	\$ 455,764	\$ 61,976
Total business-type activities	<u>\$ 379,716</u>	<u>\$ 275,000</u>	<u>\$ (198,952)</u>	<u>\$ 455,764</u>	<u>\$ 61,976</u>

Payments on the general obligation bonds and other long-term obligations 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, 2021 are comprised of the following individual issues:

Direct Borrowings:

\$2,560,000, 2003 Safety complex and refunding, due in annual installments of \$100,000 through July 2023; interest at 3.25-4.6% \$ 200,000

General Obligation Bonds:

\$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% 2,200,000

Add: Unamortized bond premium 263,966
2,463,966

Total Bonds Payable \$ 2,663,966

General obligation bonds are direct obligations of the Town, for which its full faith and credit are pledged, and are payable from taxes levied on all taxable property located within the Town's boundaries. The bonds issued from direct borrowings are also direct obligations of the Town and contain a pledge of the full faith and credit of the Town for the payment of the principal and interest thereon.

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

Debt service requirements to retire general obligation bonds outstanding for governmental activities at December 31, 2021 are as follows:

Year Ending December 31,	Direct Borrowings			General Obligation Bonds		
	Principal	Interest	Totals	Principal	Interest	Totals
2022	\$ 100,000	\$ 9,150	\$ 109,150	\$ 200,000	\$ 104,200	\$ 304,200
2023	100,000	4,600	104,600	200,000	94,000	294,000
2024			-	200,000	83,800	283,800
2025			-	200,000	73,600	273,600
2026			-	200,000	63,400	263,400
2027-2031			-	1,000,000	170,000	1,170,000
2032			-	200,000	8,200	208,200
Total	200,000	13,750	213,750	2,200,000	597,200	2,797,200
Add: Unamortized bond premium			-	263,966		263,966
	<u>\$ 200,000</u>	<u>\$ 13,750</u>	<u>\$ 213,750</u>	<u>\$ 2,463,966</u>	<u>\$ 597,200</u>	<u>\$ 3,061,166</u>

State of New Hampshire Revolving Loan Payable

The Town entered into a loan agreement to borrow up to \$30,000 from the State of New Hampshire Water Pollution Control State Revolving Loan Fund for the Stormwater System Asset Management program. As of December 31, 2021, the Town has borrowed \$11,177 under this loan agreement, and the remaining available balance to be borrowed is \$18,823. Interest is accrued at 1% during the project and is to be paid upon completion of the project. The Town may be provided federal financial assistance whereby a portion of the borrowed funds is forgiven, not to exceed \$30,000.

Business-type Activities

Notes payable

The notes payable at December 31, 2021 are comprised of the following individual issues:

Direct Borrowings:

\$250,000, 2015 Water line construction note, due in monthly installments of \$2,449, including interest at 3.30%, through May 2025	\$ 94,913
\$275,000, 2021 Water Line construction note, due in monthly installments of \$2,713, including interest at 3.45%, through July 2031	265,337
\$216,000, 2009 Water Works promissory note, due in monthly installments of \$1,271, including interest at 4.10%, through March 31, 2029	95,514
	<u>\$ 455,764</u>

The water notes issued from direct borrowings are direct obligations of the Pembroke Water Works and shall be paid in full from revenue derived from fees, charges and other sums paid by the users of the water works facilities. In the event of default on the monthly payments, a late fee of 5.0% is payable on the overdue installment. In addition, in event of default at the lender's option, all indebtedness immediately will become due and payable, except when the default is due to insolvency in which such acceleration shall

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

be automatic and not optional. The \$216,000 water note is secured by real property owned by the water works. There was no security requirement on the other two water notes.

Debt service requirements to retire the notes payable for business-type activities at December 31, 2021 are as follows:

Year Ending December 31,	Direct Borrowings		
	Principal	Interest	Totals
2022	\$ 61,976	\$ 15,217	\$ 77,193
2023	64,185	13,008	77,193
2024	66,473	10,720	77,193
2025	51,649	8,466	60,115
2026	40,886	6,923	47,809
2027-2029	170,595	12,959	183,554
	<u>\$ 455,764</u>	<u>\$ 67,293</u>	<u>\$ 523,057</u>

Authorized and Unissued Debt

As of December 31, 2021, the Town had the following debt authorized and unissued:

<u>Description</u>	<u>Amount</u>
Loop Road construction	\$ 999,000
Roadway improvement and reconstruction	1,204,000
Bow Lane pumping station	978
Water line improvements	50,000
Asset management for storm water collection system	18,823
	<u>\$ 2,272,801</u>

NOTE 5—LANDFILL POST-CLOSURE CARE COSTS

State and federal laws and regulations require that the Town place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The Town's landfill was closed during 2012. An estimated liability has been recorded based on the future post-closure care costs that will be incurred. The estimated liability for landfill post-closure care costs has a balance of \$147,000 as of December 31, 2021. 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, 2021. 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 costs for the year ended December 31, 2021:

Balance - January 1, 2021	\$ 154,000
Change in estimated liability	60
Expenditures recognized in General Fund	<u>(7,060)</u>
Balance - December 31, 2021	<u>\$ 147,000</u>

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NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

NOTE 6—OTHER POSTEMPLOYMENT BENEFITS

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

	<u>Deferred Outflows</u>	<u>OPEB Liability</u>	<u>Deferred Inflows</u>	<u>OPEB Expense</u>
Cost-Sharing Multiple Employer Plan	\$ 15,675	\$ 278,240	\$ 3,658	\$ (1,445)
Single Employer Plan - Town		737,032		14,158
Single Employer Plan - Water Fund		53,095		(6,423)
Total	<u>\$ 15,675</u>	<u>\$ 1,068,367</u>	<u>\$ 3,658</u>	<u>\$ 6,290</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to OPEB is reflected as an increase to unrestricted net position in the amount of \$12,017.

COST-SHARING MULTIPLE EMPLOYER PLAN

Plan Description

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

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

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

Benefits Provided

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

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

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

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 political subdivision employees were 3.66% and 0.29%, respectively, through June 30, 2021, and 3.21% and 0.31%, respectively, thereafter. Contributions to the OPEB plan for the Town were \$31,150 for the year ended December 31, 2021. 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, 2021, the Town reported a liability of \$278,240 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, 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, 2020. 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, 2021, the Town's proportion was approximately 0.0695 percent, which was a decrease of 0.0034 percentage points from its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, the Town recognized negative OPEB expense of (\$1,445). At December 31, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience		\$ 58
Net difference between projected and actual investment earnings on OPEB plan investments		3,476
Changes in proportion and differences between Town contributions and proportionate share of contributions		124
Town contributions subsequent to the measurement date	\$ 15,675	
Totals	<u>\$ 15,675</u>	<u>\$ 3,658</u>

The Town reported \$15,675 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, 2022. 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:

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NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

<u>June 30,</u>	
2022	\$ (977)
2023	(730)
2024	(819)
2025	(1,132)
	<u>\$ (3,658)</u>

Actuarial Assumptions

The total OPEB liability was determined by a roll forward of the actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.00%
Wage inflation	2.75% (2.25% for Teachers)
Salary increases	5.60%, average, including inflation
Investment rate of return	6.75%, net of OPEB plan investment expense, including inflation

Mortality rates were based on the Pub-2010 Healthy Retiree Mortality Tables with credibility adjustments for each group (Police and Fire combined) and projected fully generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2016 – June 30, 2019.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Domestic equity	30%	1.14-6.46%
International equity	20%	2.37-5.53%
Fixed income	25%	3.60%
Alternative investments	15%	7.25-8.85%
Real estate	10%	6.60%
Total	<u>100%</u>	

The discount rate used to measure the collective OPEB liability as of June 30, 2021 was 6.75%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made under the current statutes RSA 100-A:16 and RSA 100-A:53. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to make all projected future benefit payments of

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

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 6.75%, 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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Town's proportionate share of the net OPEB liability	\$ 302,469	\$ 278,240	\$ 257,159

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 January 1, 2020, the census collection date, the following employees were covered by the benefit terms:

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NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

	<u>Town</u>	<u>Water Fund</u>
Inactive employees or beneficiaries currently receiving benefits	2	
Active employees	<u>33</u>	<u>5</u>
	<u>35</u>	<u>5</u>

Total OPEB Liability

The Town's total OPEB liability of \$737,032 was measured as of December 31, 2021 and was determined by a rollforward of the actuarial valuation as of January 1, 2021 on a "no loss / no gain" basis.

The total OPEB liability of the Town's Water Fund of \$53,095 was measured as of December 31, 2021 by a rollforward of the actuarial valuation as of January 1, 2021 on a "no loss / no gain" basis.

Actuarial Assumptions and Other Inputs for OPEB

The total OPEB liability projected from the January 1, 2021 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation rate	2.75% - Town; 2.00% - Water Fund
Payroll growth rate	2.75%
Discount rate	2.25%
Healthcare cost trend rates	7.50% for 2021, decreasing 0.50% per year to an ultimate trend rate of 4.50%, reached in 2028

The discount rate was based on the S&P Municipal Bond 20-year High Grade Rate Index as of the measurement date. Mortality rates for general employees were based on the SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2020. The mortality rates for police employees were based on the SOA Pub-2010 Safety Headcount Weighted Mortality Table fully generational using Scale MP-2020.

Changes in the Total OPEB Liability

	<u>Town Total OPEB Liability</u>	<u>Water Fund Total OPEB Liability</u>
Balance at January 1, 2021	\$ 767,899	\$ 59,518
Changes for the year:		
Service cost	36,067	5,444
Interest	16,569	1,377
Changes of assumptions or other inputs	(7,601)	(911)
Differences between expected and actual experience	(30,877)	(12,333)
Benefit payments	<u>(45,025)</u>	
Net changes	<u>(30,867)</u>	<u>(6,423)</u>
Balance at December 31, 2021	<u>\$ 737,032</u>	<u>\$ 53,095</u>

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NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

Changes in assumptions and other inputs reflect a change in the discount rate of 2.12% at December 31, 2020 to 2.25% at December 31, 2021.

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

The following presents the total OPEB liability of the Town and Town's 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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Town Total OPEB liability	\$ 798,136	\$ 737,032	\$ 681,812
Water Fund Total OPEB liability	\$ 60,545	\$ 53,095	\$ 46,651

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 Town's 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 or 1-percentage-point higher than the current healthcare cost trend rate:

	<u>Healthcare Cost Trend Rates</u>		
	<u>1% Decrease</u>	<u>Baseline</u>	<u>1% Increase</u>
Town Total OPEB liability	\$ 664,551	\$ 737,032	\$ 822,234
Water Fund Total OPEB liability	\$ 44,591	\$ 53,095	\$ 63,875

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

For the year ended December 31, 2021, the Town and Town's Water Fund recognized OPEB expense of \$14,158 and (\$6,423), respectively. At December 31, 2021, both the Town and Town's Water Fund reported no deferred outflows of resources or deferred inflows of resources related to OPEB. Under the Alternative Measurement Method, all deferred outflows of resources and deferred inflows of resources are fully recognized in the current year.

NOTE 7—DEFINED BENEFIT PENSION PLAN

Plan Description

The Town contributes to the New Hampshire Retirement System (NHRS), a public employee retirement system that administers a single 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.

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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.

Benefits Provided

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

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

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

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

Funding Policy

Covered police officers and firefighters are required to contribute 11.55% and 11.80%, respectively, of their covered salary, whereas general employees are required to contribute 7.0% of their covered salary. The Town is required to contribute at an actuarially determined rate. The Town's contribution rates for the covered payroll of police officers, firefighters, and general employees were 24.77%, 26.43%, and 10.88%, respectively, through June 30, 2021, and 30.67%, 29.78%, and 13.75%, respectively, thereafter. The Town contributed 100% of the employer cost for public safety and general employees of the Town.

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The Town's pension contributions to the NHRS for the year ending December 31, 2021 were \$392,478.

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

At December 31, 2021, the Town reported a liability of \$3,375,117 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020. The Town's proportion of the net pension liability was based on actual contributions by the

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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, 2021, the Town's proportion was approximately 0.0762 percent, which was a decrease of .0036 percentage points from its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, the Town recognized pension expense of \$223,771. At December 31, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 94,508	\$ 35,335
Net difference between projected and actual earnings on pension plan investments		943,943
Changes of assumptions	352,512	
Changes in proportion and differences between Town contributions and share of contributions	85,634	210,186
Town contributions subsequent to the measurement date	<u>232,293</u>	
Totals	<u>\$ 764,947</u>	<u>\$ 1,189,464</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to pension is reflected as a decrease to unrestricted net position in the amount of (\$424,517). The Town reported \$232,293 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense in the measurement periods as follows:

<u>June 30,</u>	
2022	\$ (122,999)
2023	(99,324)
2024	(93,562)
2025	<u>(340,925)</u>
	<u>\$ (656,810)</u>

Actuarial Assumptions

The total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2020, using the following actuarial assumptions:

Inflation	2.00%
Wage inflation	2.75% (2.25% for Teachers)
Salary increases	5.60%, average, including inflation
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

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Mortality rates were based on the Pub-2010 Healthy Retiree Mortality Tables with credibility adjustments for each group (Police and Fire combined) and projected fully generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2016 – June 30, 2019.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Domestic equity	30%	1.14-6.46%
International equity	20%	2.37-5.53%
Fixed income	25%	3.60%
Alternative investments	15%	7.25-8.85%
Real estate	10%	6.60%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the collective pension liability was 6.75%. 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. Employer contributions are determined based on the pension plan's actuarial funding policy and as required by RSA 100-A:16. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the collective pension liability.

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

	<u>1% Decrease</u>	<u>Current Discount rate</u>	<u>1% Increase</u>
Town's proportionate share of the net pension liability	\$ 4,826,804	\$ 3,375,117	\$ 2,164,174

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NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

NOTE 8—INTERFUND BALANCES AND TRANSFERS

The Town has combined the cash resources of its governmental fund types and the Sewer Fund. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance. The Expendable Trust Funds (reported within the General Fund) consist of temporarily invested funds applicable that may be applicable to other funds within the Town. Interfund balances at December 31, 2021 are as follows:

	General Fund	Due from Nonmajor Governmental Funds	Totals
General Fund		\$ 41,612	\$ 41,612
Ambulance Fund	\$ 362,335		362,335
Nonmajor Governmental Funds	285,529		285,529
Sewer Fund	263,360		263,360
	<u>\$ 911,224</u>	<u>\$ 41,612</u>	<u>\$ 952,836</u>

During the year, the General Fund transferred \$283,383 to the Ambulance Fund, which was included as a budgeted transfer through annual appropriations.

NOTE 9—RESTRICTED NET POSITION

Net position of the governmental activities is restricted for specific purposes at December 31, 2021 as follows:

Permanent Funds - Principal	\$ 45,620
Permanent Funds - Income	42,969
K-9 Donations	7,128
Library Fund	2,940
Christmas Donations Fund	4,929
Police Grants Fund	3,006
	<u>\$ 106,592</u>

NOTE 10—COMPONENTS OF FUND BALANCE

The components of the Town's fund balance for its governmental funds at December 31, 2021 are comprised as follows:

<u>Fund Balances</u>	General Fund	Ambulance Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Permanent Funds - Principal			\$ 45,620	\$ 45,620
Prepaid items	\$ 75,158			75,158

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NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
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<u>Fund Balances</u>	<u>General Fund</u>	<u>Ambulance Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted for:				
Permanent Funds - Income			42,969	42,969
K-9 Donations	7,128			7,128
Road Capital Projects			5,603	5,603
Tax Increment Financing District			302,864	302,864
Christmas Donations Fund			4,929	4,929
Police Grants Fund			3,006	3,006
Library operations	2,940			2,940
Committed for:				
Police Details Fund			14,845	14,845
Conservation Commission			269,499	269,499
Ambulance Fund		\$ 960,248		960,248
Expendable Trust Funds	1,773,806			1,773,806
Encumbrances	430,000			430,000
Assigned for:				
Recreation Fund			1,755	1,755
Town Clock Fund			95	95
Continuing appropriations	169,602			169,602
Encumbrances	282,642			282,642
Subsequent year's expenditures	650,000			650,000
Unassigned:				
Unassigned - General operations	6,144,255			6,144,255
	<u>\$ 9,535,531</u>	<u>\$ 960,248</u>	<u>\$ 691,185</u>	<u>\$ 11,186,964</u>

NOTE 11—ENCUMBRANCES

The encumbrances of the General Fund as of December 31, 2021, by function, are as follows:

<u>Function</u>	<u>Committed</u>	<u>Assigned</u>	<u>Totals</u>
General government		\$ 44,409	\$ 44,409
Public safety		22,562	22,562
Highways and streets		114,900	114,900
Culture and recreation		5,040	5,040
Capital outlay	\$ 430,000	95,731	525,731
	<u>\$ 430,000</u>	<u>\$ 282,642</u>	<u>\$ 712,642</u>

NOTE 12—PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1st (\$789,214,047 as of April 1, 2021) and are due in two installments on July 2, 2021 and December 20, 2021. Taxes paid after the due dates accrue interest at 8% 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).

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

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

In accordance with State law, the Town collects taxes for the Pembroke School District and Merrimack County, both independent governmental units, which are remitted to them as required by law. The Town also collects State of New Hampshire Education taxes, which are remitted directly to the school district. Total taxes appropriated during the year were \$12,769,351 and \$1,907,734 for the Pembroke School District and Merrimack County, respectively. These taxes are recognized in the financial statements within the fiduciary funds only. The Town bears responsibility for uncollected taxes.

NOTE 13—RISK MANAGEMENT

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2021, 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, 2021.

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.

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

NOTE 14—CONTINGENCIES

Litigation

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

NOTE 15—RESTATEMENT OF EQUITY

During the year ended December 31, 2021 it was determined that capital assets of the governmental activities, as previously reported, were understated.

The impact on net position of the Governmental Activities as of January 1, 2021 is as follows:

Net Position - January 1, 2021 (as previously reported)	\$ 19,503,821
Amount of restatement due to:	
Understatement of capital assets	<u>138,262</u>
Net Position - January 1, 2021, as restated	<u>\$ 19,642,083</u>

NOTE 16—SUBSEQUENT EVENTS

Bond issuance

During July 2022, the Town issued a bond in the amount of \$1,202,900 with a premium of \$97,100 (total proceeds of \$1,300,000) for the purpose of roadway improvements and reconstruction projects to be performed within the Town. The bond has an interest rate of 5.1% with a true interest cost of 2.35% and will mature in August 2027.

State of New Hampshire Revolving Loan Payable

Subsequent to year end, the Town has drawn down an additional \$18,817 on its \$30,000 loan agreement with the State of New Hampshire Water Pollution Control State Revolving Loan Fund for the Stormwater System Asset Management program. During January 2023, the entire outstanding balance of \$29,994 was forgiven.

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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 3,650,148	\$ 3,650,148	\$ 3,708,480	\$ 58,332
Licenses and permits	1,716,000	1,716,000	1,742,412	26,412
Intergovernmental	681,467	681,467	681,426	(41)
Charges for services	145,500	145,500	266,957	121,457
Interest and investment income	45,000	45,000	18,415	(26,585)
Miscellaneous	4,501	4,501	8,040	3,539
Total Revenues	<u>6,242,616</u>	<u>6,242,616</u>	<u>6,425,730</u>	<u>183,114</u>
Expenditures:				
Current operations:				
General government	1,268,158	1,268,158	1,184,647	83,511
Public safety	2,145,770	2,145,770	1,982,399	163,371
Highways and streets	1,271,077	1,271,077	1,217,176	53,901
Sanitation	306,250	306,250	251,363	54,887
Health and welfare	114,487	114,487	61,389	53,098
Culture and recreation	40,936	40,936	34,758	6,178
Conservation	4,500	4,500	1,305	3,195
Economic development	355	355		355
Capital outlay	776,250	587,825	621,317	(33,492)
Debt service:				
Principal retirement	600,000	600,000	600,000	-
Interest and fiscal charges	135,401	135,401	133,358	2,043
Total Expenditures	<u>6,663,184</u>	<u>6,474,759</u>	<u>6,087,712</u>	<u>387,047</u>
Excess of revenues over (under) expenditures	<u>(420,568)</u>	<u>(232,143)</u>	<u>338,018</u>	<u>570,161</u>
Other financing sources (uses):				
State of New Hampshire revolving loan issuance	30,000	11,177	11,177	-
Transfers in	106,000	106,000	135,571	29,571
Transfers out	(1,145,432)	(1,145,432)	(1,145,432)	-
Total Other financing sources (uses)	<u>(1,009,432)</u>	<u>(1,028,255)</u>	<u>(998,684)</u>	<u>29,571</u>
Net change in fund balance	<u>(1,430,000)</u>	<u>(1,260,398)</u>	<u>(660,666)</u>	<u>599,732</u>
Fund Balance at beginning of year				
- Budgetary Basis	<u>7,946,514</u>	<u>7,946,514</u>	<u>7,946,514</u>	<u>-</u>
Fund Balance at end of year				
- Budgetary Basis	<u>\$ 6,516,514</u>	<u>\$ 6,686,116</u>	<u>\$ 7,285,848</u>	<u>\$ 599,732</u>

See accompanying notes to the required supplementary information

SCHEDULE 2

TOWN OF PEMBROKE, NEW HAMPSHIRE

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

For the Year Ended December 31, 2021

Measurement Period Ended	Cost-Sharing Multiple Employer Plan Information Only				
	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, 2021	0.06948063%	\$ 278,240	\$ 2,189,557	12.71%	11.06%
June 30, 2020	0.07286738%	\$ 318,947	\$ 2,213,038	14.41%	7.74%
June 30, 2019	0.07306082%	\$ 320,307	\$ 2,093,974	15.30%	7.75%
June 30, 2018	0.07984541%	\$ 365,569	\$ 2,060,819	17.74%	7.53%
June 30, 2017	0.04858775%	\$ 222,160	\$ 2,006,861	11.07%	7.91%
June 30, 2016	0.04674035%	\$ 226,272	\$ 1,928,151	11.74%	5.21%
June 30, 2015	*	*	*	*	*
June 30, 2014	*	*	*	*	*
June 30, 2013	*	*	*	*	*
June 30, 2012	*	*	*	*	*

Note to Required Supplementary Schedule:

* 10 Year schedule, historical information not available

Measurement Periods	Significant Actuarial Assumptions				
	Inflation	Salary Increases	Investment Rate of Return	Mortality Table	Mortality Scale
June 30, 2020 - 2021	2.00%	5.60%	6.75%	Pub-2010	MP-2019
June 30, 2016 - 2019	2.50%	5.60%	7.25%	RP-2014	MP-2015
June 30, 2013 - 2015	3.00%	3.75-5.80%	7.75%	RP-2000	Scale AA

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, 2021

Cost-Sharing Multiple Employer Plan Information Only					
<u>Year Ended</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Town's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2021	\$ 31,150	\$ (31,150)	\$ -	\$ 2,184,385	1.43%
December 31, 2020	\$ 35,232	\$ (35,232)	\$ -	\$ 2,297,199	1.53%
December 31, 2019	\$ 33,383	\$ (33,383)	\$ -	\$ 2,154,135	1.55%
December 31, 2018	\$ 34,319	\$ (34,319)	\$ -	\$ 2,072,773	1.66%
December 31, 2017	\$ 32,464	\$ (32,464)	\$ -	\$ 2,029,574	1.60%
December 31, 2016	\$ 27,758	\$ (27,758)	\$ -	\$ 1,987,834	1.40%
December 31, 2015	*	*	*	*	*
December 31, 2014	*	*	*	*	*
December 31, 2013	*	*	*	*	*
December 31, 2012	*	*	*	*	*

Note to Required Supplementary Schedule:

* 10 Year schedule, historical information not available

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, 2021

	Town 2021	Town 2020	Town 2019	Town 2018	Town 2017	Town 2016	Town 2015	Town 2014	Town 2013	Town 2012
Total OPEB Liability:										
Service cost	\$ 36,067	\$ 23,753	\$ 20,491	\$ 38,401	*	*	*	*	*	*
Interest	16,569	21,460	26,175	31,669	*	*	*	*	*	*
Changes of assumptions or other inputs	(7,601)	106,532	39,456	(91,774)	*	*	*	*	*	*
Differences between expected and actual experience	(30,877)	7,800	(21,408)	(189,468)	*	*	*	*	*	*
Benefit payments	(45,025)	(51,961)	(41,146)	(67,952)	*	*	*	*	*	*
Net change in total OPEB liability	(30,867)	107,584	23,568	(279,124)	*	*	*	*	*	*
Total OPEB Liability at beginning of year	767,899	660,315	636,747	915,871	*	*	*	*	*	*
Total OPEB Liability at end of year	\$ 737,032	\$ 767,899	\$ 660,315	\$ 636,747	*	*	*	*	*	*
Covered employee payroll	\$ 1,959,314	\$ 1,912,532	\$ 1,897,621	\$ 1,780,957	*	*	*	*	*	*
Total OPEB liability as a percentage of covered employee payroll	37.62%	40.15%	34.80%	35.75%	*	*	*	*	*	*

Significant Actuarial Assumptions

Discount rate	2.25%	2.12%	3.26%	4.11%	*	*	*	*	*	*
Health cost trend rates:										
Initial	7.50% - 2021	8.00% - 2020	8.00% - 2018	8.00% - 2018	*	*	*	*	*	*
Ultimate	4.50% - 2028	4.50% - 2028	4.50% - 2026	4.50% - 2026	*	*	*	*	*	*
Mortality table	MP-2020	MP-2020	MP-2018	MP-2018	*	*	*	*	*	*
Salary increase rate	2.75%	2.75%	3.25%	3.25%	*	*	*	*	*	*

Notes to Required Supplementary Schedule:
No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75
* 10 Year schedule, historical information not available

See accompanying notes to the required supplementary information

SCHEDULE 5
TOWN OF PEMBROKE, NEW HAMPSHIRE
Schedule of Changes in the Town's Water Fund Total OPEB Liability and Related Ratios
For the Year Ended December 31, 2021

	Water Fund # 2021	Water Fund # 2020	Water Fund # 2019	Water Fund # 2018	Water Fund # 2017	Water Fund # 2016	Water Fund # 2015	Water Fund # 2014	Water Fund # 2013	Water Fund # 2012
Total OPEB Liability:										
Service cost	\$ 5,444	\$ 2,610	\$ 2,210	\$ 2,361	*	*	*	*	*	*
Interest	1,377	1,110	1,113	910	*	*	*	*	*	*
Changes of assumptions or other inputs	(911)	13,637	3,416	(2,497)	*	*	*	*	*	*
Differences between expected and actual experience	(12,333)	10,715	(156)	774	*	*	*	*	*	*
Net change in total OPEB liability	(6,423)	28,072	6,583							
Total OPEB Liability at beginning of year	59,518	31,446	24,863	24,089	*	*	*	*	*	*
Total OPEB Liability at end of year	<u>\$ 53,095</u>	<u>\$ 59,518</u>	<u>\$ 31,446</u>	<u>\$ 24,863</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
Covered employee payroll	\$ 270,700	\$ 179,160	\$ 253,690	\$ 226,271	*	*	*	*	*	*
Total OPEB liability as a percentage of covered employee payroll	19.61%	33.22%	12.40%	10.99%	*	*	*	*	*	*

Significant Actuarial Assumptions

Discount rate	2.25%	2.12%	3.26%	4.11%	*	*	*	*	*	*
Health cost trend rates:										
Initial	7.50% - 2021	8.00% - 2020	8.00% - 2018	8.00% - 2018	*	*	*	*	*	*
Ultimate	4.50% - 2028	4.50% - 2028	4.50% - 2026	4.50% - 2026	*	*	*	*	*	*
Mortality table	MP-2020	MP-2020	MP-2018	MP-2018	*	*	*	*	*	*
Salary increase rate	2.75%	2.75%	3.25%	3.25%	*	*	*	*	*	*

Notes to Required Supplementary Schedule:
No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75
* 10 Year schedule, historical information not available
The Town's Water Fund received a separate actuarial valuation

See accompanying notes to the required supplementary information

SCHEDULE 6

TOWN OF PEMBROKE, NEW HAMPSHIRE

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

For the Year Ended December 31, 2021

<u>Measurement Period Ended</u>	<u>Town's Proportion of the Net Pension Liability</u>	<u>Town's Proportionate Share of the Net Pension Liability</u>	<u>Town's Covered Payroll</u>	<u>Town's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2021	0.07615476%	\$ 3,375,117	\$ 2,189,557	154.15%	72.22%
June 30, 2020	0.07979029%	\$ 5,103,507	\$ 2,213,038	230.61%	58.72%
June 30, 2019	0.07677163%	\$ 3,693,986	\$ 2,093,974	176.41%	65.59%
June 30, 2018	0.08014665%	\$ 3,859,223	\$ 2,060,819	187.27%	64.73%
June 30, 2017	0.08010873%	\$ 3,939,742	\$ 2,006,861	196.31%	62.66%
June 30, 2016	0.07805092%	\$ 4,150,432	\$ 1,928,151	215.25%	58.30%
June 30, 2015	0.07890077%	\$ 3,125,675	\$ 1,883,624	165.94%	65.47%
June 30, 2014	0.07492695%	\$ 2,812,447	\$ 1,737,816	161.84%	66.32%
June 30, 2013	0.07225856%	\$ 3,109,853	\$ 1,626,500	191.20%	59.81%
June 30, 2012	*	*	*	*	*

Note to Required Supplementary Schedule:

* 10 Year schedule, historical information not available

Significant Actuarial Assumptions

<u>Measurement Periods</u>	<u>Inflation</u>	<u>Salary Increases</u>	<u>Investment Rate of Return</u>	<u>Mortality Table</u>	<u>Mortality Scale</u>
June 30, 2020 - 2021	2.00%	5.60%	6.75%	Pub-2010	MP-2019
June 30, 2016 - 2019	2.50%	5.60%	7.25%	RP-2014	MP-2015
June 30, 2013 - 2015	3.00%	3.75-5.80%	7.75%	RP-2000	Scale AA

See accompanying notes to the required supplementary information

SCHEDULE 7
TOWN OF PEMBROKE, NEW HAMPSHIRE
Schedule of Town Pension Contributions
For the Year Ended December 31, 2021

<u>Year Ended</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Town's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2021	\$ 392,478	\$ (392,478)	\$ -	\$ 2,184,385	17.97%
December 31, 2020	\$ 368,257	\$ (368,257)	\$ -	\$ 2,297,199	16.03%
December 31, 2019	\$ 343,584	\$ (343,584)	\$ -	\$ 2,154,135	15.95%
December 31, 2018	\$ 335,956	\$ (335,956)	\$ -	\$ 2,072,773	16.21%
December 31, 2017	\$ 316,952	\$ (316,952)	\$ -	\$ 2,029,574	15.62%
December 31, 2016	\$ 288,064	\$ (288,064)	\$ -	\$ 1,987,834	14.49%
December 31, 2015	\$ 274,113	\$ (274,113)	\$ -	\$ 1,905,664	14.38%
December 31, 2014	\$ 252,319	\$ (252,319)	\$ -	\$ 1,812,810	13.92%
December 31, 2013	\$ 210,019	\$ (210,019)	\$ -	\$ 1,683,999	12.47%
December 31, 2012	*	*	*	*	*

Note to Required Supplementary Schedule:

* 10 Year schedule, historical information not available

See accompanying notes to the required supplementary information

TOWN OF PEMBROKE, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2021

NOTE 1—BUDGET TO ACTUAL RECONCILIATION

General Fund

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

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 6,385,040	\$ 6,629,339
Difference in property taxes meeting susceptible to accrual criteria	56,585	
Encumbrances - December 31, 2021		712,642
Encumbrances - December 31, 2020		(616,323)
Non-budgetary revenues and expenditures	(4,718)	(354,563)
Budgetary transfers	135,571	862,049
Per Schedule 1	<u>\$ 6,572,478</u>	<u>\$ 7,233,144</u>

Major Special Revenue Fund

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

NOTE 2—BUDGETARY FUND BALANCE

The components of the budgetary fund balance for the General Fund at December 31, 2021 are as follows:

Nonspendable:	
Prepaid items	\$ 75,158
Restricted for:	
K-9 Donations	7,128
Assigned for:	
Carryforward appropriations	169,602
Subsequent year's expenditures	650,000
Unassigned:	
Unassigned - General operations	6,383,960
	<u>\$ 7,285,848</u>

SCHEDULE A
TOWN OF PEMBROKE, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Funds
December 31, 2021

	Total Special Revenue Funds	Total Capital Projects Funds	Permanent Funds	Total Nonmajor Funds
ASSETS				
Cash and cash equivalents		\$ 350,079		\$ 350,079
Investments			\$ 88,589	88,589
Taxes receivable, net	\$ 8,600			8,600
Due from other funds	285,529			285,529
Total Assets	<u>294,129</u>	<u>350,079</u>	<u>88,589</u>	<u>732,797</u>
DEFERRED OUTFLOWS OF RESOURCES				
Total Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 294,129</u>	<u>\$ 350,079</u>	<u>\$ 88,589</u>	<u>\$ 732,797</u>
LIABILITIES				
Due to other funds		\$ 41,612		\$ 41,612
Total Liabilities	<u>\$ -</u>	<u>41,612</u>	<u>\$ -</u>	<u>41,612</u>
DEFERRED INFLOWS OF RESOURCES				
Total Deferred Inflows of Resources	-	-	-	-
FUND BALANCES				
Nonspendable			45,620	45,620
Restricted	7,935	308,467	42,969	359,371
Committed	284,344			284,344
Assigned	1,850			1,850
Total Fund Balances	<u>294,129</u>	<u>308,467</u>	<u>88,589</u>	<u>691,185</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 294,129</u>	<u>\$ 350,079</u>	<u>\$ 88,589</u>	<u>\$ 732,797</u>

SCHEDULE A-1
TOWN OF PEMBROKE, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Special Revenue Funds
December 31, 2021

	Recreation Fund	Police Details Fund	Christmas Donations Fund	Town Clock Fund	Police Grants Fund	Conservation Commission Fund	Total Special Revenue Funds
ASSETS							
Taxes receivable, net	\$ 1,755	\$ 14,845	\$ 4,929	\$ 95	\$ 3,006	\$ 8,600	\$ 8,600
Due from other funds	<u>1,755</u>	<u>14,845</u>	<u>4,929</u>	<u>95</u>	<u>3,006</u>	<u>260,899</u>	<u>285,529</u>
Total Assets						<u>269,499</u>	<u>294,129</u>
DEFERRED OUTFLOWS OF RESOURCES							
Total Deferred Outflows of Resources	-	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 1,755</u>	<u>\$ 14,845</u>	<u>\$ 4,929</u>	<u>\$ 95</u>	<u>\$ 3,006</u>	<u>\$ 269,499</u>	<u>\$ 294,129</u>
LIABILITIES							
Total Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES							
Total Deferred Inflows of Resources	-	-	-	-	-	-	-
FUND BALANCES							
Restricted			4,929		3,006		7,935
Committed		14,845				269,499	284,344
Assigned	<u>1,755</u>	<u>14,845</u>	<u>4,929</u>	<u>95</u>	<u>3,006</u>	<u>269,499</u>	<u>1,850</u>
Total Fund Balances	<u>1,755</u>	<u>14,845</u>	<u>4,929</u>	<u>95</u>	<u>3,006</u>	<u>269,499</u>	<u>294,129</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,755</u>	<u>\$ 14,845</u>	<u>\$ 4,929</u>	<u>\$ 95</u>	<u>\$ 3,006</u>	<u>\$ 269,499</u>	<u>\$ 294,129</u>

SCHEDULE A-2
TOWN OF PEMBROKE, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Capital Projects Funds
December 31, 2021

	Road Capital Projects Fund	TIF District Fund	Total Capital Projects Funds
ASSETS			
Cash and cash equivalents	\$ 47,215	\$ 302,864	\$ 350,079
Total Assets	<u>47,215</u>	<u>302,864</u>	<u>350,079</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 47,215</u>	<u>\$ 302,864</u>	<u>\$ 350,079</u>
LIABILITIES			
Due to other funds	\$ 41,612		\$ 41,612
Total Liabilities	<u>41,612</u>	<u>\$ -</u>	<u>41,612</u>
DEFERRED INFLOWS OF RESOURCES			
Total Deferred Inflows of Resources	-	-	-
FUND BALANCES			
Restricted	5,603	302,864	308,467
Total Fund Balances	<u>5,603</u>	<u>302,864</u>	<u>308,467</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 47,215</u>	<u>\$ 302,864</u>	<u>\$ 350,079</u>

SCHEDULE B

TOWN OF PEMBROKE, NEW HAMPSHIRE

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds - All Nonmajor Funds

For the Year Ended December 31, 2021

	Total Special Revenue Funds	Total Capital Projects Funds	Permanent Funds	Total Nonmajor Funds
Revenues:				
Taxes	\$ 68,280			\$ 68,280
Intergovernmental	4,116			4,116
Charges for services	54,115			54,115
Interest and investment income	81	\$ 395	\$ 5,856	6,332
Miscellaneous	2,080			2,080
Total Revenues	<u>128,672</u>	<u>395</u>	<u>5,856</u>	<u>134,923</u>
Expenditures:				
Current operations:				
General government			508	508
Public safety	29,310			29,310
Health and welfare	1,500			1,500
Culture and recreation	30,961			30,961
Total Expenditures	<u>61,771</u>	<u>-</u>	<u>508</u>	<u>62,279</u>
Net change in fund balances	66,901	395	5,348	72,644
Fund Balances at beginning of year	<u>227,228</u>	<u>308,072</u>	<u>83,241</u>	<u>618,541</u>
Fund Balances at end of year	<u>\$ 294,129</u>	<u>\$ 308,467</u>	<u>\$ 88,589</u>	<u>\$ 691,185</u>

SCHEDULE B-1

TOWN OF PEMBROKE, NEW HAMPSHIRE

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds - All Nonmajor Special Revenue Funds

For the Year Ended December 31, 2021

	Recreation Fund	Police Details Fund	Christmas Donations Fund	Town Clock Fund	Police Grants Fund	Conservation Commission Fund	Total Special Revenue Funds
Revenues:							
Taxes							
Intergovernmental		\$ 4,116				\$ 68,280	\$ 68,280
Charges for services	\$ 27,195	26,920				4,116	54,115
Interest and investment income						81	81
Miscellaneous			\$ 2,080			2,080	2,080
Total Revenues	<u>27,195</u>	<u>31,036</u>	<u>2,080</u>	<u>\$ -</u>	<u>\$ -</u>	<u>68,361</u>	<u>128,672</u>
Expenditures:							
Current operations:							
Public safety		29,310	1,500				29,310
Health and welfare							1,500
Culture and recreation	30,961						30,961
Total Expenditures	<u>30,961</u>	<u>29,310</u>	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,771</u>
Net change in fund balances	(3,766)	1,726	580	-	-	68,361	66,901
Fund Balances at beginning of year	<u>5,521</u>	<u>13,119</u>	<u>4,349</u>	<u>95</u>	<u>3,006</u>	<u>201,138</u>	<u>227,228</u>
Fund Balances at end of year	<u>\$ 1,755</u>	<u>\$ 14,845</u>	<u>\$ 4,929</u>	<u>\$ 95</u>	<u>\$ 3,006</u>	<u>\$ 269,499</u>	<u>\$ 294,129</u>

SCHEDULE B-2

TOWN OF PEMBROKE, NEW HAMPSHIRE**Combining Statement of Revenues, Expenditures and Changes in Fund Balances****Governmental Funds - All Nonmajor Capital Projects Funds**

For the Year Ended December 31, 2021

	Road Capital Projects <u>Fund</u>	TIF District <u>Fund</u>	Total Capital Projects <u>Funds</u>
Revenues:			
Interest and investment income	\$ 53	\$ 342	\$ 395
Total Revenues	<u>53</u>	<u>342</u>	<u>395</u>
Expenditures:			
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	53	342	395
Fund Balances at beginning of year	<u>5,550</u>	<u>302,522</u>	<u>308,072</u>
Fund Balances at end of year	<u>\$ 5,603</u>	<u>\$ 302,864</u>	<u>\$ 308,467</u>

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

To the Board of Selectmen
Town of Pembroke, New Hampshire

In planning and performing our audit of the financial statements of the governmental activities, 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, 2021, 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. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Vachon Clukay & Company PC

Manchester, New Hampshire
February 16, 2023

February 16, 2023

To the Board of Selectmen
Town of Pembroke, New Hampshire

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pembroke, New Hampshire for the year ended December 31, 2021. 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 May 3, 2022. 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. No new accounting policies were adopted, and the application of existing policies was not changed during the year ended December 31, 2021. We noted no transactions entered into by the Town of Pembroke, New Hampshire during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

The most sensitive estimates affecting the financial statements of the Governmental Activities, the Business-type Activities, Each Major Fund, and the Aggregate Remaining Information were:

Management's estimates of the allowances for uncollectible receivables are based on the likelihood of the Town to collect monies owed to it. We evaluated the key factors and assumptions used to develop the allowances in determining that they are reasonable in relation to the financial statements taken as a whole. In addition, 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 cost-sharing pension costs and other post-employment benefit costs and single employer other post-employment benefit costs, which are based on plan audited financial statements and plan actuarial valuation reports, respectively. We evaluated the assumptions used in the plan audited financial statements and the plan actuarial valuation reports to determine that they are reasonable in relation to the financial statements as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 16, 2023.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the management's discussion and analysis, budgetary comparison information, schedules of changes in the Town's proportionate share of the net OPEB liability, schedule of Town OPEB contributions, schedule of changes in the Town's total OPEB liability and related ratios, schedule of changes in the Town's Water Fund total OPEB liability and related ratios, schedule of changes in the Town's proportionate share of the net pension liability and schedule of Town pension contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of

preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction on Use

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

Very truly yours,

Vashon Clukay & Company PC

Town of Pembroke, New Hampshire
Material Audit Adjustments
For the Year Ended December 31, 2021

The following is a listing of the material audit adjustments made for the year ended December 31, 2021 and have been corrected by management:

General Fund:

- To reduce the allowance for uncollected taxes for interest included in calculation in the amount of \$112,247.
- To record the unspent portion of ARPA funds as an advance from grantors in the amount of \$377,040.

Ambulance Fund:

- To restore the prior year fund balance in the amount of \$75,000.

Sewer Fund:

- To restore prior year net position in the amount of \$96,683.
- To record principal payments on notes payable as a reduction of the liability in the amount of \$133,945.
- To record the current year depreciation expense in the amount of \$158,237.
- To record current year capital asset additions in the amount of \$52,235.