

ANNUAL FINANCIAL REPORT

AS OF AND FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

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TOWN OF CONWAY, NEW HAMPSHIRE ANNUAL FINANCIAL REPORT AS OF AND FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

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PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Selectmen Town of Conway Conway, New Hampshire

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Conway as of and for the fiscal year ended December 31, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Conway's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Conway as of December 31, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated October 8, 2010 on our consideration of the Town of Conway's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Conway's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Town of Conway. The combining and individual fund schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

October 8, 2010

Shugay G. Colly, CPA
PLODZIK & SANDERSON
Professional Association

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TOWN OF CONWAY MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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 a private sector business.

The statement of net assets presents information on all the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages 9 - 14 of this report.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other governmental units, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the Town are divided into two categories: governmental funds and fiduciary funds.

Governmental funds: Governmental fund statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government'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 activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and change in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures, and changes in fund balances for the general and expendable trust funds, which are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with the budget.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside of 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. The accounting used for fiduciary funds is much like that used for private enterprises.

Notes to the 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.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information consisting of the budgetary comparison schedule for the general fund.

Statement of Net Assets:

			Increase
	2009	2008	(Decrease)
Current and other assets	13,921,658	14,381,998	(460,340)
Capital assets, net of depreciation	21,815,392	21,332,592	482,800
Total assets	35,737,050	35,714,590	22,460
Long-term liabilities outstanding	2,350,605	2,546,657	(196,052)
Other liabilities	6,643,104	7,327,253	(684,149)
Total liabilities	8,993,709	9,873,910	(880,201)
Net assets:			
Invested in capital assets, net of related debt	20,585,392	19,617,592	967,800
Restricted	235,483	236,859	(1,376)
Unrestricted	5,922,466	5,986,229	(63,763)
Total net assets	26,743,341	25,840,680	902,661

Current assets include cash, investments, taxes receivable and other receivables. Capital assets are buildings, building improvements, infrastructure and improvements, machinery, vehicles and equipment all net of depreciation. Land is also included, but land is not depreciated.

Long-term liabilities are bonds, and notes due in more than one year. In addition this number includes compensated absences which are not expected to be paid within a year. Compensated absences are accumulated vacation and sick time which would be paid to employees on separation from the Town. The Town does not contribute to retirees health insurance cost but, since active employees and retirees are rated together the rates for active employees are higher. This creates an implicit rate subsidy. This is the first year that the Town has included this implicit rate subsidy as an Other Post Employment Benefits in the long-term liabilities. Also included in long-term liabilities are the accrued landfill closure and post-closure care costs.

Net assets invested in capital assets, net of related debt are capital assets less accumulated depreciation and the debt outstanding on these assets. The restricted net assets are the trust funds for perpetual care of cemetery plots.

The change in net assets is made up partially of changes in capital assets. This year infrastructure was added because of the North Conway Streetscape project. This was funded by a grant from the Federal Government that is being administered by the NHDOT. Parts of Kearsarge Road, Mechanic Street and Intervale Crossroads were reconstructed in cooperation with North Conway Water Precinct. In addition, improvements were made to Randall Farm and Allard Farm Roads in Birch Hill, Dinsmore Road, Thompson Road, and the roadway at the Transfer Station. The Police Department purchased a camera system, voice stress analyzer and accident/crime scene mapping system. This was done with a grant from the Department of Justice. In addition, the Police Department purchased one new car in 2009 and donated a van to the Carroll County Sheriff's Department. The Highway Department purchased one new truck with a dump body and new plow. The Solid Waste Department purchased a new trailer for hauling trash. Three properties were tax deeded to the Town and one property was redeemed.

Statement of Activities For the Fiscal Year Ended December 31, 2009

	Pr	ogram Rev	Net(Expense)	
		Charges Operating		Revenue &
	_	for	Grants &	Change in
_	Expenses	Services	Contributions	Net Assets
Governmental activities;				
General government	2,139,207	18,160	17,217	-2,103,830
Public Safety	3,387,275	198,589	104,486	-3,084,200
Highway and streets	1,586,764	139,343	246,006	-1,201,415
Sanitation	886,429	343,999	9	-542,421
Health	50,773			-50,773
Welfare	133,226	10,719		-122,507
Culture and recreation	912,346	107,303	23,533	-781,510
Conservation	17,331		12,230	-5,101
Interest on long-term debt	65,730			-65,730
Capital outlay	556,600			-556,600
Total governmental activities	9,735,681	818,113	403,481	-8,514,087
Conord Dovenues				
General Revenues: Taxes:				
				0.000.507
Property				6,200,567
Other				293,377
Motor vehicle fees				1,493,628
Licenses & other fees				204,893
Grants & contrib. not re		ec. prog.		1,093,469
Unrestricted investment	t earnings		•	33,714
Miscellaneous				97,100
Total general reve	enues			9,416,748
Change in net assets	i			902,661
Net assets, beginning				25,840,680
Net assets, ending	-			26,743,341

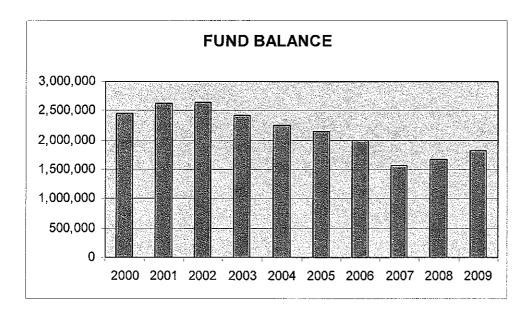
The first section of the Statement of Activities shows the relationship between expenses and offsetting revenues for various areas of Town government. The highway block grant is included in the operating grant number. The pass thru Grant for the Conway Village District is in this category as well. The fees charged by various departments for services are included in the charges for services. The lower section shows the categories of general revenues. Taxes and motor vehicle registrations are just that. The largest components of licenses and other fees are building permits and the cable television franchise fee. The changes in net assets were described earlier.

The change in long-term debt resulted from payments on bonds.

The year 2009 ended with an unreserved, undesignated fund balance in the General Fund of \$1,827,457. The unreserved, undesignated fund balance at the beginning of 2009 was \$1,677,222. For 2009 revenues in excess of estimates were \$282,958. Unexpended appropriations were \$175,620. This is shown in the Statement of Revenues, Appropriations, Expenditures and Change in Fund Balance. For 2009, \$300,000 from fund balance was used to reduce taxes. In addition \$8,341 was added to the amount reserved for contingency. This amount is set aside for abatement cases appealed to the Board of Tax and Land Appeals.

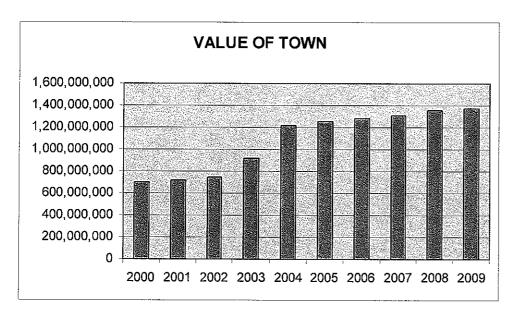
The Department of Revenue Administration and the Government Finance Officers Association recommend a fund balance of between 5% and 15% of the total of the town's appropriation, plus state and local education taxes, and precinct taxes, be retained as fund balance. The total of the Town's appropriation, plus state and local education taxes, and precinct taxes, for 2009 was \$25,807,047. Therefore, the recommended amount to be retained is between \$1,290,352and \$3,871,057. The Town's retained fund balance of \$1,827,458 is approximately 7%. The fund balance has been declining for several years from a high of \$2,643,456 in 2002 to the current \$1,827,458.

The following chart shows the change in unrestricted fund balance over the past 10 years.

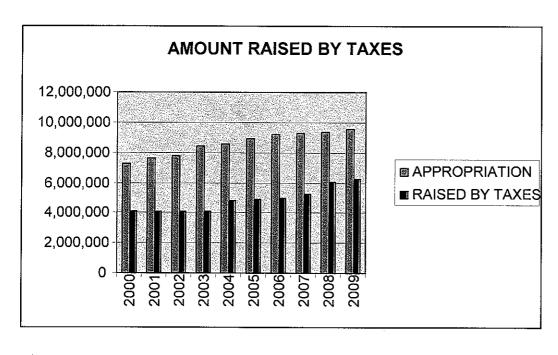


In the past 10 years the total net assessment for the Town of Conway has increased from 633,134,845 to 1,368,950,300 or over 116%. The increase in value to the Town has slowed as the real estate market has cooled and commercial construction has slowed. Current trends could force an adjustment of values down in order to stay at or below 100%.

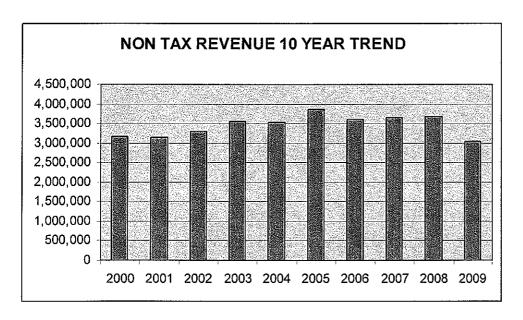
The 10 year increase in value is shown in the chart below.



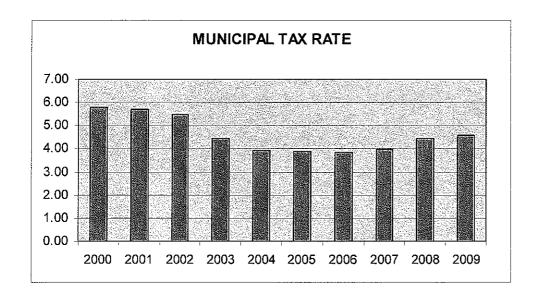
For the same period the relationship between total appropriations and the amount to be raised by taxes is shown in the chart below.



Non tax revenues, which were increasing, have drop off sharply. There is the possibility that revenues from the State of New Hampshire will continue to drop.



The following chart shows the Municipal tax rate for the same 10-year period.



The information in the following spreadsheet was used to create the charts you have seen previously.

TOWN OF CONWAY					
TEN YEAR COMPARISON					
YEAR	2009	2008	2007	2006	2005
OPERATING BUDGET	9,199,343	9,339,365	8,812,428	8,709,232	8,481,897
SEPARATE					
WARRANT ARTICLES	153,000	338,681	285,137	287,840	338,102
NON PROFITS	183,049	191,615	177,749	175,549	174,963
TOTAL APPROPRIATIONS AMOUNT RAISED BY	9,535,392	9,869,661	9,275,314	9,172,621	8,994,962
TAXES	6,278,944	6,028,280	5,231,681	4,929,697	4,875,664
MUNICIPAL TAX RATE PERCENT RAISED BY	4.59	4.45	3.98	3.84	3.88
TAXES	66%	61%	56%	54%	54%
VALUE FOR MUNICIPAL	1,368,950,300	1,354,679,413	1,313,281,390	1,284,930,920	1,255,015,320
UNDESIGNATED FUND	_, , , ,	-, ,,,	-,,,,	., ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	1,200,010,010
BAL	1,827,458	1,677,222	1,566,219	1,997,872	2,146,740
YEAR	2004	2003	2002	2001	2000
OPERATING BUDGET	8,088,055	7,774,767	7,364,717	7,164,523	6,839,594
SEPARATE		80,448			
WARRANT ARTICLES	253,545	347,718	207,102	221,650	228,925
NON PROFITS	178,028	176,828	175,862	197,897	197,338
TOTAL APPROPRIATIONS AMOUNT RAISED BY	8,519,628	8,379,761	7,747,681	7,584,070	7,265,857
TAXES	4,781,941	4,069,717	4,081,291	4,117,627	4,085,927
MUNICIPAL TAX RATE PERCENT RAISED BY	3.92	4.43	5.47	5.70	5.80
TAXES	56%	49%	53%	54%	56%
VALUE FOR MUNICIPAL UNDESIGNATED FUND	1,219,036,920	918,373,920	745,459,470	722,186,920	704,122,450
BAL	2,257,645	2,417,092	2,643,456	2,620,716	2,450,510

Anyone wishing more information may contact Lucy Philbrick, Finance Director at 603-447-3811 extension 121.

BASIC FINANCIAL STATEMENTS

EXHIBIT A

TOWN OF CONWAY, NEW HAMPSHIRE

Statement of Net Assets December 31, 2009

ASSETS Cash and cash equivalents 3,905,908 Investments 7,229,831 Intergovernmental receivable 347,629 Other receivables, net of allowances for uncollectible 2,438,290 Capital assets, not being depreciated: 35,559,728 Capital assets, net of accumulated depreciation: 4,461,586 Buildings and building improvements 4,461,586 Machinery, vehicles and equipment 1,698,587 Intrastructure 10,054,041 Intangible assets 41,450 Total assets 35,737,050 LIABILITIES 4 Accounts payable 166,561 Accruced salaries and benefits 7,268 Contract payable 9,723 Intergovernmental payable 5,927,245 Accruced interest payable 15,457 Retainage payable 7,621 Uncarned revenue 39,054 Noncurrent obligations: 380,000 Compensated absences 24,762 Due in more than one year: 80,000 Bonds/notes 830,000 <		Governmental Activities
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Total assets 35,737,050 LIABILITIES Accounts payable 166,561 Accrued salaries and benefits 72,681 Contract payable 9,723 Intergovernmental payable 5,927,245 Accrued interest payable 15,457 Retainage payable 7,621 Unearned revenue 39,054 Noncurrent obligations: Total interest payable Due within one year: 380,000 Compensated absences 24,762 Due in more than one year: 850,000 Compensated absences 531,515 Other postemployment benefits 131,470 Accrued landfill closure and postclosure care costs 837,620 Total liabilities 8,993,709 NET ASSETS Invested in capital assets, net of related debt 20,585,392 Restricted for perpetual care 235,483 Unrestricted 5,922,466	Intrastructure	10,054,041
LIABILITIES Accounts payable 166,561 Accrued salaries and benefits 72,681 Contract payable 9,723 Intergovernmental payable 5,927,245 Accrued interest payable 15,457 Retainage payable 7,621 Unearned revenue 39,054 Noncurrent obligations: ************************************	Intangible assets	41,450
Accounts payable 166,561 Accrued salaries and benefits 72,681 Contract payable 9,723 Intergovernmental payable 5,927,245 Accrued interest payable 15,457 Retainage payable 7,621 Unearned revenue 39,054 Noncurrent obligations: **** Due within one year: **** Bonds/notes 380,000 Compensated absences 24,762 Due in more than one year: **** Bonds/notes \$50,000 Compensated absences \$31,515 Other postemployment benefits 131,470 Accrued landfill closure and postclosure care costs 837,620 Total liabilities 8,993,709 NET ASSETS Invested in capital assets, net of related debt 20,585,392 Restricted for perpetual care 235,483 Unrestricted 5,922,466	Total assets	35,737,050
Accrued salaries and benefits 72,681 Contract payable 9,723 Intergovernmental payable 5,927,245 Accrued interest payable 15,457 Retainage payable 7,621 Unearned revenue 39,054 Noncurrent obligations:	LIABILITIES	
Contract payable 9,723 Intergovernmental payable 5,927,245 Accrued interest payable 15,457 Retainage payable 7,621 Unearned revenue 39,054 Noncurrent obligations:	Accounts payable	166,561
Intergovernmental payable 5,927,245 Accrued interest payable 15,457 Retainage payable 7,621 Unearned revenue 39,054 Noncurrent obligations: **** Due within one year: **** Bonds/notes 380,000 Compensated absences 24,762 Due in more than one year: **** Bonds/notes \$50,000 Compensated absences 531,515 Other postemployment benefits 131,470 Accrued landfill closure and postclosure care costs 837,620 Total liabilities 8,993,709 NET ASSETS Invested in capital assets, net of related debt 20,585,392 Restricted for perpetual care 235,483 Unrestricted 5,922,466	Accrued salaries and benefits	72,681
Accrued interest payable 15,457 Retainage payable 7,621 Unearned revenue 39,054 Noncurrent obligations: Due within one year: Bonds/notes 380,000 Compensated absences 24,762 Due in more than one year: Bonds/notes 850,000 Compensated absences 531,515 Other postemployment benefits 131,470 Accrued landfill closure and postclosure care costs 837,620 Total liabilities 8,993,709 NET ASSETS Invested in capital assets, net of related debt 20,585,392 Restricted for perpetual care 235,483 Unrestricted 5,922,466	Contract payable	9,723
Retainage payable 7,621 Unearned revenue 39,054 Noncurrent obligations: 380,000 Due within one year: 380,000 Compensated absences 24,762 Due in more than one year: 850,000 Compensated absences 531,515 Other postemployment benefits 131,470 Accrued landfill closure and postclosure care costs 837,620 Total liabilities 8,993,709 NET ASSETS Invested in capital assets, net of related debt 20,585,392 Restricted for perpetual care 235,483 Unrestricted 5,922,466	Intergovernmental payable	5,927,245
Unearned revenue 39,054 Noncurrent obligations: 380,000 Due within one year: 380,000 Compensated absences 24,762 Due in more than one year: 850,000 Compensated absences 531,515 Other postemployment benefits 131,470 Accrued landfill closure and postclosure care costs 837,620 Total liabilities 8,993,709 NET ASSETS Invested in capital assets, net of related debt 20,585,392 Restricted for perpetual care 235,483 Unrestricted 5,922,466	Accrued interest payable	15,457
Noncurrent obligations: Due within one year: 380,000 Bonds/notes 24,762 Due in more than one year: 850,000 Compensated absences 531,515 Other postemployment benefits 131,470 Accrued landfill closure and postclosure care costs 837,620 Total liabilities 8,993,709 NET ASSETS Invested in capital assets, net of related debt 20,585,392 Restricted for perpetual care 235,483 Unrestricted 5,922,466	Retainage payable	7,621
Due within one year: 380,000 Bonds/notes 24,762 Due in more than one year: 850,000 Bonds/notes 850,000 Compensated absences 531,515 Other postemployment benefits 131,470 Accrued landfill closure and postclosure care costs 837,620 Total liabilities 8,993,709 NET ASSETS Invested in capital assets, net of related debt 20,585,392 Restricted for perpetual care 235,483 Unrestricted 5,922,466	Unearned revenue	39,054
Bonds/notes 380,000 Compensated absences 24,762 Due in more than one year: 850,000 Compensated absences 531,515 Other postemployment benefits 131,470 Accrued landfill closure and postclosure care costs 837,620 Total liabilities 8,993,709 NET ASSETS Invested in capital assets, net of related debt 20,585,392 Restricted for perpetual care 235,483 Unrestricted 5,922,466	Noncurrent obligations:	
Compensated absences 24,762 Due in more than one year: 850,000 Bonds/notes 850,000 Compensated absences 531,515 Other postemployment benefits 131,470 Accrued landfill closure and postclosure care costs 837,620 Total liabilities 8,993,709 NET ASSETS Invested in capital assets, net of related debt 20,585,392 Restricted for perpetual care 235,483 Unrestricted 5,922,466	Due within one year:	
Due in more than one year: 850,000 Bonds/notes 850,000 Compensated absences 531,515 Other postemployment benefits 131,470 Accrued landfill closure and postclosure care costs 837,620 Total liabilities 8,993,709 NET ASSETS Invested in capital assets, net of related debt 20,585,392 Restricted for perpetual care 235,483 Unrestricted 5,922,466	Bonds/notes	380,000
Bonds/notes 850,000 Compensated absences 531,515 Other postemployment benefits 131,470 Accrued landfill closure and postclosure care costs 837,620 Total liabilities 8,993,709 NET ASSETS Invested in capital assets, net of related debt 20,585,392 Restricted for perpetual care 235,483 Unrestricted 5,922,466	Compensated absences	24,762
Compensated absences 531,515 Other postemployment benefits 131,470 Accrued landfill closure and postclosure care costs 837,620 Total liabilities 8,993,709 NET ASSETS Invested in capital assets, net of related debt 20,585,392 Restricted for perpetual care 235,483 Unrestricted 5,922,466	Due in more than one year:	
Other postemployment benefits 131,470 Accrued landfill closure and postclosure care costs 837,620 Total liabilities 8,993,709 NET ASSETS Invested in capital assets, net of related debt 20,585,392 Restricted for perpetual care 235,483 Unrestricted 5,922,466		850,000
Accrued landfill closure and postclosure care costs Total liabilities NET ASSETS Invested in capital assets, net of related debt Restricted for perpetual care Unrestricted \$37,620 \$8,993,709 \$20,585,392 \$235,483 \$37,620	Compensated absences	531,515
Total liabilities 8,993,709 NET ASSETS Invested in capital assets, net of related debt 20,585,392 Restricted for perpetual care 235,483 Unrestricted 5,922,466	Other postemployment benefits	131,470
NET ASSETS Invested in capital assets, net of related debt Restricted for perpetual care 235,483 Unrestricted 5,922,466	Accrued landfill closure and postclosure care costs	837,620
Invested in capital assets, net of related debt Restricted for perpetual care 235,483 Unrestricted 5,922,466	Total liabilities	8,993,709
Restricted for perpetual care 235,483 Unrestricted 5,922,466	NET ASSETS	
Restricted for perpetual care 235,483 Unrestricted 5,922,466	Invested in capital assets, net of related debt	20,585,392
Unrestricted		
	Total net assets	

EXHIBIT B TOWN OF CONWAY, NEW HAMPSHIRE

Statement of Activities

For the Fiscal Year Ended December 31, 2009

				Program	Reveni	ies	N	et (Expense)
		Expenses		Charges for Services	G	perating rants and ntributions		evenue and Change in Net Assets
Governmental activities:		<u> </u>		00111003		THI TOURIONS		100 133013
General government	\$	2,139,207	\$	18,160	\$	17,217	\$	(2,103,830)
Public safety		3,387,275		198,589		104,486	-	(3,084,200)
Highways and streets		1,586,764		139,343		246,006		(1,201,415)
Sanitation		886,429		343,999		9		(542,421)
Health		50,773		-		_		(50,773)
Welfare		133,226		10,719		_		(122,507)
Culture and recreation		912,346		107,303		23,533		(781,510)
Conservation		17,331		_		12,230		(5,101)
Interest on long-term debt		65,730		-		-		(65,730)
Capital outlay		556,600		-		-		(556,600)
Total governmental activities	\$	9,735,681	\$	818,113	\$	403,481		(8,514,087)
	Genera	ıl revenues:						
	Taxe	s:						
	Pr	operty						6,200,567
	Ot	her						293,377
	Mote	or vehicle perm	nit fees					1,493,628
	Lice	nses and other	fees					204,893
	Gran	ts and contribu	itions n	ot restricted to	specif	ic programs		1,093,469
	Unre	stricted invest	ment ea	rnings				33,714
	Misc	ellaneous						97,100
	•	Total general re	evenues	3				9,416,748
		Change in ne	t assets	i				902,661
	Net ass	ets, beginning						25,840,680
	Net ass	sets, ending					\$	26,743,341

EXHIBIT C-1 TOWN OF CONWAY, NEW HAMPSHIRE

Governmental Funds Balance Sheet December 31, 2009

	General	Expendable Trust	Other Governmental Funds	Total Governmental Funds
ASSETS		_	4 406.000	A 2007.000
Cash and cash equivalents	\$ 3,769,019	\$ -	\$ 136,889	\$ 3,905,908
Investments	1,581,854	4,480,427	1,167,550	7,229,831
Receivables, net of allowance for uncollectible:				0.405.151
Taxes	2,405,151	-	-	2,405,151
Accounts	16,530	-	16,609	33,139
Intergovernmental	29,784	-	317,845	347,629
Interfund receivable	231,779	1,398	2,444	235,621
Total assets	\$ 8,034,117	\$ 4,481,825	\$ 1,641,337	\$ 14,157,279
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 62,719	\$ -	\$ 103,842	\$ 166,561
Accrued salaries and benefits	72,681	-	-	72,681
Contract payable	9,723	-	-	9,723
Intergovernmental payable	5,927,245	-	-	5,927,245
Interfund payable	3,842	-	231,779	235,621
Retainage payable	-	7,621	-	7,621
Deferred revenue			39,054	39,054
Total liabilities	6,076,210	7,621	374,675	6,458,506
Fund balances:				177.000
Reserved for endowments	-	-	175,223	175,223
Reserved for special purposes	-	-	162,239	162,239
Unreserved:	100 110			120 440
Designated for contingency	130,449	-	-	130,449
Undesignated, reported in:	1.00= 150			1 007 450
General fund	1,827,458	-	-	1,827,458
Special revenue funds	1.055.005	4,474,204	929,200	5,403,404
Total fund balances	1,957,907	4,474,204	1,266,662	7,698,773
Total liabilities and fund balances	\$ 8,034,117	\$ 4,481,825	\$ 1,641,337	\$ 14,157,279

EXHIBIT C-2

TOWN OF CONWAY, NEW HAMPSHIRE

Reconciliation of Total Governmental Fund Balances to the Statement of Net Assets December 31, 2009

Total fund balances of governmental funds (Exhibit C-1)		\$ 7,698,773
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial		
resources, and therefore, are not reported in the funds.		
Cost	\$ 25,189,303	
Less accumulated depreciation	(3,373,911)	
		21,815,392
Interfund receivables and payables between governmental funds		
are eliminated on the statement of net assets.		
Receivables	\$ (235,621)	
Payables	235,621	_
Interest on long-term debt is not accrued in governmental funds.		_
Accrued interest payable		(15,457)
Long-term liabilities are not due and payable in the current period,		
and therefore, are not reported in the funds.		
Bonds/notes	\$ 1,230,000	
Compensated absences payable	556,277	
Other postemployment benefits	131,470	
Accrued landfill closure and postclosure care costs	837,620	
		(2,755,367)
Total net assets of governmental activities (Exhibit A)		\$ 26,743,341

EXHIBIT C-3 TOWN OF CONWAY, NEW HAMPSHIRE

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances For the Fiscal Year Ended December 31, 2009

	General	Expendable Trust	Other Governmental Funds	Total Governmental Funds
Revenues:		*		
Taxes	\$ 6,475,874	\$ -	\$ 18,070	\$ 6,493,944
Licenses and permits	1,698,521	-	-	1,698,521
Intergovernmental	1,008,496	-	678,663	1,687,159
Charges for services	219,574	-	328,721	548,295
Miscellaneous	130,814	15,601	64,007	210,422
Total revenues	9,533,279	15,601	1,089,461	10,638,341
Expenditures:				
Current:				
General government	1,853,598	123,489	2,562	1,979,649
Public safety	3,040,204	-	319,778	3,359,982
Highways and streets	1,692,857	-	-	1,692,857
Sanitation	704,128	*	86,371	790,499
Health	50,773		-	50,773
Welfare	132,767		-	132,767
Culture and recreation	800,140	-	56,575	856,715
Conservation	17,331	-	•	17,331
Debt service:				
Principal	485,000	-	-	485,000
Interest	70,840	-	-	70,840
Capital outlay	-	538,501	542,928	1,081,429
Total expenditures	8,847,638	661,990	1,008,214	10,517,842
Excess (deficiency) of revenues				
over (under) expenditures	685,641	(646,389)	81,247	120,499
Other financing sources (uses):				
Transfers in	62,936	592,500	-	655,436
Transfers out	(592,500)		(62,936)	(655,436)
Total other financing sources and uses	(529,564)	592,500	(62,936)	
Net change in fund balances	156,077	(53,889)	18,311	120,499
Fund balances, beginning	1,801,830	4,528,093	1,248,351	7,578,274
Fund balances, ending	\$ 1,957,907	\$ 4,474,204	\$ 1,266,662	\$ 7,698,773

EXHIBIT C-4

TOWN OF CONWAY, NEW HAMPSHIRE

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Fiscal Year Ended December 31, 2009

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 120,499
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.		
Capitalized capital outlay	\$ 952,851	
Depreciation expense	(470,051)	
		482,800
Transfers in and out between governmental funds are eliminated		
on the operating statement.		
Transfers in	\$ (655,436)	
Transfers out	655,436	
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net assets.		-
Repayment of bond principal		485,000
Repayment of conta principal		705,000
Some expenses reported in the statement of activities do not require the		
use of current financial resources, and therefore, are not reported as		
expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 5,110	
Increase in compensated absences payable	(27,348)	
Increase in other postemployment benefits	(131,470)	
Increase in accrued landfill closure and postclosure care costs	(31,930)	
		(185,638)
Changes in net assets of governmental activities (Exhibit B)		\$ 902,661

EXHIBIT D-1 TOWN OF CONWAY, NEW HAMPSHIRE

Fiduciary Funds Statement of Fiduciary Net Assets December 31, 2009

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	\$ -	\$ 104,042
Investments	101,746_	3,658,509
Total assets	101,746	3,762,551
LIABILITIES		
Due to other governmental units	-	2,941,967
Due to others	-	820,584
Total liabilities		3,762,551
NET ASSETS		
Held in trust for special purposes	\$ 101,746	\$ -

EXHIBIT D-2 TOWN OF CONWAY, NEW HAMPSHIRE

Fiduciary Funds

Statement of Changes in Fiduciary Net Assets For the Fiscal Year Ended December 31, 2009

ADDITIONS	Private Purpose Trust
Investment earnings:	•
Interest and dividends	\$ 264
New funds	37,485
Total additions	37,749
DEDUCTIONS	
Trust income distributions	(2,500)
Change in net assets	35,249
Net assets, beginning	66,497
Net assets, ending	\$ 101,746

NOTES TO THE BASIC FINANCIAL STATEMENTS

AS OF AND FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

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Keith Henney Trust	

TOWN OF CONWAY, NEW HAMPSHIRE NOTES TO THE BASIC FINANCIAL STATEMENTS AS OF AND FOR THE FISCAL YEAR ENDED

AS OF AND FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town of Conway, New Hampshire (the Town), are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The more significant of the Town's accounting policies are described below.

1-A Reporting Entity

The Town of Conway is a municipal corporation governed by an elected 5-member Board of Selectmen. The reporting entity is comprised of the primary government and any other organizations (*component units*) that are included to ensure that the financial statements are not misleading.

Component units are legally separate organizations for which the Town is financially accountable. The Town is financially accountable for an organization if the Town appoints a voting majority of the organization's governing board, and (1) the Town is able to significantly influence the programs or services performed or provided by the organizations; or (2) the Town is legally entitled to or can otherwise access the organization's resources; (3) the Town is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Town is obligated for the debt of the organization. Based on the foregoing criteria, no other organizations are included in the Town's financial reporting entity.

1-B Financial Statement Presentation

Government-Wide Financial Statements - The government-wide financial statements display information about the Town as a whole. These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. The effect of interfund activity has been eliminated from these statements.

The statement of net assets presents information on all of the entities assets and liabilities, with the difference between the two presented as net assets. Net assets are reported as one of three categories; invested in capital assets, net of related debt; restricted; or unrestricted.

The statement of activities presents a comparison between direct expenses and program revenues for the different functions of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Vehicle maintenance; pension benefit; property and liability insurance; claims and judgments; and state assessments and charges have been allocated to major functions in order to present a more accurate and complete picture of the cost of Town services. Program revenues include (1) charges to customers or applicants for goods received, services rendered or privileges provided, (2) grants and contributions that are restricted to meeting operational requirements of a particular function. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements — The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Financial statements of the Town are organized into funds, each of which is considered to be a separate accounting entity. Each fund has a separate set of self-balancing accounts, that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized as major funds or nonmajor funds within the governmental, fiduciary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- (a) Total assets, liabilities, revenues or expenditures of that individual governmental fund are at least 10% of the corresponding total for all funds of that category or type;
- (b) Total assets, liabilities, revenues or expenditures of the individual governmental fund are at least 5% of the corresponding total for all governmental fund combined; and
- (c) In addition, any other governmental fund that the Town believes is particularly important to the financial statement users may be reported as a major fund.

NOTES TO THE BASIC FINANCIAL STATEMENTS

AS OF AND FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

Governmental Activities - Governmental funds are identified as general, special revenue, capital projects, and permanent funds, based upon the following guidelines:

General Fund - is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Project Funds – Are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Permanent Funds – are used to account for resources legally held in trust. All resources of the fund, including earnings on invested resources, may be used to support the Town.

Fiduciary Fund Types - These funds account for assets held by the Town as a trustee or agent for individuals, private organizations, and other units of governments. Fiduciary Fund types are not part of the reporting entity in the Government-wide financial statements, but are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These funds are as follows:

Private Purpose Trust Funds - are used to account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

Agency Funds –are used to account for resources held by the Town in a purely custodial capacity, for individuals, private organizations, and/or governmental units.

Major Funds - The Town reports the following major governmental funds:

General Fund – All general revenues and other receipts that are not allocated by law or contracted agreement to another fund are accounted for in this fund. This fund accounts for general operating expenditures, fixed charges, and the capital improvement costs that are not reported in other funds.

Expendable Trust Funds – The expendable trust funds account for the legally established funds for future costs.

The Town also reports ten nonmajor governmental funds.

1-C Measurement Focus

Government-wide and Fiduciary Fund Financial Statements - The government-wide, and fiduciary fund financial statements, except for agency funds which have no measurement focus, are reported using the economic resources measurement focus. Under this concept, revenues and expenses are matched using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are susceptible to accrual, that is, when they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60-days of the end of the current period. Property taxes, grants and contracts, and interest associated with the current period are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Town. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

TOWN OF CONWAY, NEW HAMPSHIRE NOTES TO THE BASIC FINANCIAL STATEMENTS AS OF AND FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

Revenues – 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 the modified accrual basis revenue is recorded when the exchange takes place in the fiscal year in which the resources are measurable and become available.

Revenues-Nonexchange Transactions - Nonexchange transactions, in which the Town receives value without directly giving equal value in return, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all grantor imposed 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 nonexchange transactions also must be available (i.e., collected within 60-days) before it can be recognized, with the exception of property taxes which are recognized if expected to be collected in time to be used to pay the liability to the school district which is due over the next six months.

1-D Cash and Cash Equivalents

The Town considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and cash equivalents."

New Hampshire statutes require that the Town treasurer have custody of all money belonging to the Town and pay out the same only upon orders of the Board of Selectmen. The treasurer shall deposit all such moneys in participation units in the public deposit investment pool established pursuant to N.H. RSA 383:22 or in solvent banks in the state. Funds may be deposited in banks outside the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

1-E Investments

State statutes place certain limitations on the nature of deposits and investments available as follows:

New Hampshire law authorizes the Town to invest in the following type of obligations:

- Obligations of the United States government,
- The public deposit investment pool established pursuant to RSA 383:22,
- Savings bank deposits,
- Certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the state treasurer.

Any person who directly or indirectly receives any such funds or moneys for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the Town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

Investments are stated at fair value based on quoted market prices.

1-F Receivables

Receivables in the government-wide financial statements represent amounts due to the Town at December 31, recorded as revenue, which will be collected in the future and consist primarily of taxes, accounts, and intergovernmental receivables.

NOTES TO THE BASIC FINANCIAL STATEMENTS

AS OF AND FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

Tax revenue is recorded when a warrant for collection is committed to the tax collector. As prescribed by law, the tax collector executes a lien on properties for all uncollected property taxes in the following year after taxes are due. The lien on these properties has priority over other liens and accrues interest at 18% per annum. If property is not redeemed within the 2-year redemption period, the property is tax deeded to the Town.

Accounts receivable include various service charges which are recorded as revenue for the period when serviced was provided.

1-G Interfund Balances

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "interfund receivables and payables." Interfund receivables and payables between funds are eliminated in the statement of net assets.

1-H Capital Assets

General capital assets are those assets of a capital nature which the Town owns. All capital assets are capitalized at cost (or estimated at historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Town maintains a capitalization threshold of \$5,000 and more than one year of estimated useful life. Improvements to capital assets are capitalized; the costs of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset's life are expensed.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. All reported capital assets are depreciated over their estimated useful lives. Depreciation is computed using the straight-line method over the following useful lives:

	Years
Buildings and building improvements	30-120
Machinery, vehicles and equipment	15-20
Infrastructure	30-75
Intangible assets	15

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

1-I Allowances for Uncollectible Accounts

An allowance for uncollectible accounts has been recorded for the following purpose:

Taxes- an allowance has been established by management where collectability is in doubt.

1-J Deferred/Unearned Revenue

In the government-wide financial statements, deferred revenue is recognized when cash, receivables or other assets are recorded prior to their being earned. In the governmental fund financial statements deferred revenue represents monies received or revenues accrued which have not been earned or do not meet the "available" criterion for revenue recognition under the modified accrual basis of accounting. On the government-wide statements of net assets, deferred revenue is classified as unearned revenue.

1-K Compensated Absences

The Town's policy allows certain employees to earn varying amounts of vacation and sick pay based on the employee's length of employment. Upon retirement or termination of employment, employees are paid in full for any accrued leave earned as set forth by personnel policy.

Vested amounts of both vacation and sick pay are reported as long-term liabilities in the statement of net assets.

TOWN OF CONWAY, NEW HAMPSHIRE NOTES TO THE BASIC FINANCIAL STATEMENTS AS OF AND FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

1-L Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the government-wide statements.

1-M Claims and Judgments

Claims and judgments are recorded as liabilities in all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. Claims and judgments are recorded in the government-wide financial statements as expense when the related liabilities are incurred. There were no significant claims or judgments at year-end.

1-N Equity Classifications

Government-Wide Statements- Equity is classified as net assets and displayed in three components:

- a) Invested in capital assets, net of related debt Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted net assets- Consists of net assets with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) Unrestricted net assets- All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements- Governmental fund equity is classified as fund balance. Fund balance is classified as reserved and unreserved, with unreserved further split between designated and undesignated. Reserved fund balances represent amounts not available for appropriation, or is legally restricted by outside parties for use for a specific purpose. Designated fund balances represent tentative management plans that are subject to change. Undesignated fund balance amounts represent amounts available for use in future periods.

1-O Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Interfund receivables and payables between funds are eliminated in the statement of net assets.

Interfund Transfers - Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

1-P Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates and the differences could be material.

NOTES TO THE BASIC FINANCIAL STATEMENTS

AS OF AND FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

NOTE 2 - CASH AND CASH EQUIVALENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of December 31, 2009, none of the Town's bank balances of \$4,009,950 was exposed to custodial credit risk as uninsured and uncollateralized.

Cash and cash equivalents reconciliation:

Cash per statement of net assets (Exhibit A)	\$ 3,905,908
Cash per statement of fiduciary net assets (Exhibit D-1)	104,042
Total cash and cash equivalents	\$ 4,009,950

NOTE 3 - INVESTMENTS

The Town maintains a portfolio of investments, consisting of Certificates of Deposit and New Hampshire Public Deposit Investment Pool deposits. As of December 31, 2009, the Town had the following investments:

Governmental

		Activities
	Certificate of deposit	\$ 40,186
	New Hampshire Public Deposit Investment Pool	10,949,900
		\$ 10,990,086
Investment reconcilia	tion:	
	Investments per statement of net assets (Exhibit A)	\$ 7,229,831
	Investments per statement of fiduciary net assets (Exhibit D-1)	3,760,255
	Total investments	\$ 10,990,086

NOTE 4 - TAXES RECEIVABLE

The property tax year is from April 1 to March 31 and all property taxes are assessed on the inventory taken in April of that year. The net assessed valuation as of April 1, 2009, upon which the 2009 property tax levy was based is:

For the New Hampshire education tax	\$ 1,353,178,600
For all other taxes	\$ 1,368,950,300

The Town subscribes to the semi-annual method of tax collection as provided for by RSA 76:15-a. Taxes were levied on July land December 1. Interest accrues at a rate of 12% on bills outstanding after the due dates. The first billing is considered an estimate only and is one half of the previous year's tax billing. The remaining balance of taxes due is billed in the fall after the New Hampshire Department of Revenue Administration has calculated and approved the Town's tax rate for the fiscal year.

In connection with the setting of the tax rate, Town officials with the approval of the Department of Revenue Administration, establish and raise through taxation an amount for abatements and refunds of property taxes, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any tax allowance at year-end. The property taxes collected by the Town include taxes levied for the State of New Hampshire, Conway School District, several local precincts and districts and Carroll County, which are remitted as required by law. The ultimate responsibility for the collection of taxes rests with the Town.

TOWN OF CONWAY, NEW HAMPSHIRE NOTES TO THE BASIC FINANCIAL STATEMENTS AS OF AND FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

The tax rates and amounts assessed for the year ended December 31, 2009 were as follows:

	Per \$1,000	Property
	of Assessed	Taxes
	Valuation	Assessed
Municipal portion	\$4.59	\$ 6,278,944
School portion:		
State of New Hampshire	\$2.54	3,431,215
Local	\$8.83	12,092,317
County portion	\$1.12	1,539,135
Precinct portions:		
Redstone Fire	\$0.77	54,036
Fire Assessment	\$0.84	260,497
North Conway Water	\$3.21	1,844,416
East Conway Fire	\$1.33	39,568
Kearsarge Lighting	\$0.23	20,457
Intervale Lighting	\$0.07	4,496
Conway Village Fire	\$2.12	394,254
Center Conway Fire	\$0.74	146,783
Total		\$ 26,106,118

During the current fiscal year, the tax collector executed a lien on May 5 for all uncollected 2008 property taxes.

Taxes receivable at December 31, 2009, are as follows:

Property:	
Levy of 2009	\$ 1,904,950
Unredeemed (under tax lien):	
Levy of 2008	359,745
Levy of 2007	195,208
Levies of 2006 and prior	281,053
Yield	5,176
Less: allowance for estimated uncollectible taxes	(340,981)
Net taxes receivable	\$ 2,405,151

NOTE 5 - OTHER RECEIVABLES

Receivables at December 31, 2009, consisted of accounts (billings for services and other user charges) and intergovernmental amounts arising from grants.

Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

NOTES TO THE BASIC FINANCIAL STATEMENTS

AS OF AND FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009 consisted of the following:

	Balance, beginning	Additions	Deletions	Balance, ending
At cost:		- Taditions	Deletions	
Not being depreciated:				
Land	\$ 5,557,111	\$ 2,617	\$ -	\$ 5,559,728
Being depreciated:				
Buildings and building improvements	5,524,537	7,929	_	5,532,466
Machinery, vehicles and equipment	3,106,458	234,612	(100,479)	3,240,591
Infrastructure	10,002,942	798,172	_	10,801,114
Intangible assets	45,404	10,000	_	55,404
Total capital assets being depreciated	18,679,341	1,050,713	(100,479)	19,629,575
Total all capital assets	24,236,452	1,053,330	(100,479)	25,189,303
Less accumulated depreciation:	· · · · · · · · · · · · · · · · · · ·			
Buildings and building improvements	(978,288)	(92,592)	-	(1,070,880)
Machinery, vehicles and equipment	(1,421,410)	(191,513)	70,919	(1,542,004)
Infrastructure	(493,568)	(253,505)	-	(747,073)
Intangible assets	(10,594)	(3,360)	-	(13,954)
Total accumulated depreciation	(2,903,860)	(540,970)	70,919	(3,373,911)
Net book value, capital assets being depreciated	15,775,481	509,743	(29,560)	16,255,664
Net book value, all capital assets	\$ 21,332,592	\$ 512,360	\$ (29,560)	\$ 21,815,392

Depreciation expense was charged to functions of the Town based on their usage of the related assets. The amounts allocated to each function are as follows:

General government	\$ 50,637
Public safety	41,921
Highways and streets	330,603
Sanitation	56,872
Culture and recreation	 60,937
Total	\$ 540,970

NOTE 7 - INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances consisting of overdrafts in pooled cash and budgetary transfers at December 31, 2009, are as follows:

Payable Fund	Amount
Nonmajor	\$ 231,779
General	1,398
General	2,444
	\$ 235,621
	Nonmajor General

Interfund transfers during the year ended December 31, 2009 are as follows:

		Transfers In:	
	General	Expendable	
	Fund	Trust Fund	Total
Transfers out:			
General fund	\$ -	\$ 592,500	\$ 592,500
Nonmajor funds	62,936		62,936
Total	\$ 62,936	\$ 592,500	\$ 655,436

NOTES TO THE BASIC FINANCIAL STATEMENTS

AS OF AND FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and (2) use unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 8 - INTERGOVERNMENTAL PAYABLES

Amounts due to other governments at December 31, 2009 consist of the following:

Balance of 2009-10 district assessment due to the Conway School District

Fees due to the State of New Hampshire

Total

\$ 5,923,532

\$ 5,927,245

NOTE 9 - DEFERRED/UNEARNED REVENUE

Deferred/unearned revenue at December 31, 2009 in the amount of \$39,054 consists of federal grant revenues collected in advance of eligible expenditures being made.

NOTE 10 - LONG-TERM LIABILITIES

Changes in the Town's long-term obligations consisted of the following for the year ended December 31, 2009:

•	General			Accr	ued Landfill		Other	
	Obligation	Cor	npensated	CI	osure and	Post	temployment	
	Bonds/Notes	A	bsences	Post	closure Care		Benefits	
	Payable	Ŧ	ayable	Cos	sts Payable		Payable	 Total
Balance, beginning	\$ 1,715,000	\$	528,929	\$	805,690	\$	-	\$ 3,049,619
Additions	-		27,348		31,930		333,309	392,587
Reductions	(485,000)		-		-		(201,839)	 (686,839)
Balance, ending	\$ 1,230,000	\$	556,277	\$	837,620	\$	131,470	\$ 2,755,367

Long-term liabilities payable are comprised of the following:

					Outstanding	at
	Original	Issue	Maturity	Interest	December 3	 Current
	Amount	Date	Date	Rate %	2009	Portion
General obligation bonds/notes payable:						
Refunding bonds	\$ 3,275,000	1999	2011	3.5-4.3	\$ 615,0	00 \$ 300,000
Library addition	\$ 1,178,250	2002	2017	3.0-4.3	615,0	00 80,000
					1,230,0	00 380,000
Compensated absences payable:						
Vested sick and accrued vaction leave					556,2	77 24,762
Other postemployment benefits payable					131,4	70
Accrued landfill closure and postclosure care of	costs				837,6	20
Total					\$ 2,755,3	67 \$ 404,762

NOTES TO THE BASIC FINANCIAL STATEMENTS

AS OF AND FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

The annual requirements to amortize all general obligation bonds/notes outstanding as of December 31, 2009, including interest payments, are as follows:

Fiscal Year Ending			
December 31,	Principal	Principal Interest 7	
2010	\$ 380,000	\$ 50,545	\$ 430,545
2011	395,000	34,995	429,995
2012	80,000	18,650	98,650
2013	75,000	15,450	90,450
2014	75,000	12,450	87,450
2015-2017	225,000	19,050	244,050
Totals	\$ 1,230,000	\$ 151,140	\$ 1,381,140

Accrued Landfill Closure and Postclosure Care Costs

Federal and State 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 after closure. A liability is being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used through the end of the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$837,620 as of December 31, 2009, which is based on 31% usage (filled) of the landfill. It is estimated that an additional \$1,712,000 will be recognized as closure and postclosure care costs between the date of the balance sheet and the date the landfill is expected to be filled to capacity (2041). The estimated total current cost of the landfill closure and postclosure care (\$2,702,000) 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, 2009. However, the actual cost of closure and postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

The State of New Hampshire Department of Environmental Services requires that all entities which receive licensing for landfills since 1991 meet general financial assurance requirements. The Town has established a capital reserve fund for landfill closure and postclosure care costs. During the year ended December 31, 2009, the Town deposited \$30,000 into this fund which has a balance of \$1,772,906 at year end.

NOTE 11 - GOVERNMENTAL ACTIVITIES NET ASSETS

Governmental activities net assets reported on the government-wide statement of net assets at December 31, 2009 include the following:

Invested in capital assets, net of related debt:	
Capital assets, net of accumulated depecriation	\$ 21,815,392
Less:	
General obligation bonds payable, net	(1,230,000)
Total invested in capital assets, net of related debt	 20,585,392
Restricted for special purposes:	
Perpetual care	235,483
Unrestricted	 5,922,466
Total net assets	\$ 26,743,341

TOWN OF CONWAY, NEW HAMPSHIRE NOTES TO THE BASIC FINANCIAL STATEMENTS AS OF AND FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

NOTE 12 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2009 include the following:

Reserved:		
Nonmajor funds:		
Special revenue	_\$_	337,462
Unreserved, designated:		
Major fund:		
General		130,449
Unreserved, undesignated:		
Major funds:		
General		1,827,458
Expendable trust		4,474,204
Nonmajor funds:		
Special revenue		929,200
Total unreserved, undesignated fund balance		7,230,862
Total governmental fund balances	\$	7,698,773

NOTE 13 - EMPLOYEE RETIREMENT PLAN

The Town participates in the New Hampshire Retirement System (the System) which is the administrator of a cost-sharing multiple-employer contributory pension plan and trust established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Provision for benefits and contributions are established and can be amended by the New Hampshire Legislature. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees except police officers and firefighters are required to contribute 5% of earnable compensation. Police officers and firefighters are required to contribute 9.3% of gross earnings. For the first six months of 2009, the Town contributed 11.84% for police, 15.92% for fire and 8.74% for other employees. As of July 1, those rates increased to 13.66% for police, 17.28% for fire and 9.16% for others. The contribution requirements for the Town of Conway for the fiscal years 2007, 2008 and 2009 were \$297,321, \$368,098 and \$391,522, respectively, which were paid in full in each year.

For the first six months of 2009, the State of New Hampshire funded 35% of the normal employer contribution rate for police officers and firefighters employed by the Town. As of July 1, the funding rate decreased to 30% of the normal employer contribution rate. This amount \$77,867, is reported as an "on-behalf payment" as an expenditure and revenue on the governmental fund operating statement, and as an expense and revenue on the government-wide statements of activities.

NOTE 14 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

In addition to pension benefits described in Note 13, the Town provides postemployment benefit options for health care and dental insurance to eligible retirees, terminated employees, and their dependents. The benefits are provided in accordance with the Town's agreements, collective bargaining agreements, and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The criteria to determine eligibility include: years of service, employee age, and whether the employee has vested in the respective retirement plan. The Town funds the benefits on a pay-as-you-go basis. Eligible employees are required to pay set premiums for a portion of the cost with the Town subsidizing the remaining costs. There are 20 participants currently eligible. Expenses for the postretirement health care benefits are recognized as eligible employee claims are paid.

NOTES TO THE BASIC FINANCIAL STATEMENTS

AS OF AND FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

The Town has only partially funded (on a pay-as-you-go basis) the annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30-years. The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2009:

Annual required contribution (ARC)	\$ 333,309
Interest on net OPEB obligations	-
Adjustment to ARC	
Annual OPEB cost (expense)	333,309
Contributions made (assumed middle of year)	(201,839)
Increase in net OPEB obligation	131,470
Net OPEB obligation, beginning	
Net OPEB obligation, ending	\$ 131,470

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2009 was as follows:

	Annual	Actual		
Fiscal Year	OPEB	Contributions	Percentage	Net OPEB
Ended	Cost	(pay-as-you-go)	Contributed	Obligation
12/31/2009	\$ 333,309	\$ (201,839)	60.6%	\$ 131,470

Funded Status and Funding Program

		Actuarial				
	Actuarial	Accrued	Unfunded			UAAL as a
Actuarial	Value of	Liability	AAL	Funded		Percentage
Valuation	Assets	(AAL)	(UAAL)	Ratio	Covered	of Covered
Date	(a)	(b)	(b - a)	(a/b)	Payroll	Payroll
12/31/2009	\$ -	\$ 1,877,943	\$ 1,877,943	0.00%	\$ 3,921,432	47.89%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The *Funded Status and Funding Program*, presented above, is designed to present trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

NOTE 15 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2009, the Town was a member of the Local Government Center Property-Liability Trust, LLC, and the New Hampshire Public Risk Management Exchange (Primex) Workers' Compensation Program. These entities are considered public entity risk pools, currently operating as common risk management and insurance programs for member towns and cities.

TOWN OF CONWAY, NEW HAMPSHIRE NOTES TO THE BASIC FINANCIAL STATEMENTS AS OF AND FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

The Local Government Center Property-Liability Trust, LLC, is a Trust organized to provide certain property and liability insurance coverages to member towns, cities and other qualified political subdivisions of New Hampshire. As a member of the Local Government Center Property-Liability Trust, LLC, the Town shares in contributing to the cost of, and receiving benefits from, a self-insured pooled risk management program. The membership and coverage run from July 1 to June 30. The program maintains a self-insured retention above which it purchases reinsurance and excess insurance. This policy covers property, auto physical damage, crime, general liability, and public officials' liability subject to a \$1,000 deductible.

Contributions paid in fiscal year ending December 31, 2009, to be recorded as an insurance expenditure totaled \$96,514. There were no unpaid contributions for the year ended December 31, 2009. The trust agreement permits the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. At this time, the Trust foresees no likelihood of any additional assessments for past years. The Town also paid \$70,260 for workers' compensation and \$3,837 for unemployment compensation for the year ended December 31, 2009.

NOTE 16 - CONTINGENT LIABILITIES

The Town has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement from the grantor agency for costs disallowed under terms of the grant. Based on prior experience the Town believes such disallowance, if any, will be immaterial.

NOTE 17 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

In March 2009 the Governmental Accounting Standards Board (GASB) issued Statements No. 55 and 56 as follows:

Statement No. 55 - The Hierarchy of Generally Accepted Principles for State and Local Governments

Statement No. 56 - Codification of Accounting and Financial Reporting Guidance Contained in AICPA Statements

The Statements, which became effective at the time of issuance, were implemented by the Town this year with no significant impact.

Statements No. 53 and No. 54 which were also issued in 2009, are not effective until the fiscal year ended December 31, 2010 and 2011 respectively. Statement No. 53, Accounting and Financial Reporting for Derivative instruments, will not impact the Town of Conway. However, Statement No. 54, Fund Balance Reporting and Governmental Type Definitions, will be mandatory for all governmental entities.

NOTE 18 - KEITH HENNEY TRUST

The Town was a beneficiary in 1984 of the Keith Henney Trust. In accordance with the bequest, the trustee is Bank of America Investment Services. The bequest provides that net income from 32% of the initial trust corpus shall be utilized primarily to defray the expenses of maintaining, operating and improving the Nella Braddy Henney History Room at the Public Library. Expended from the funds in 2009 was \$5,621. The market value of the fund at December 31, 2009, was \$516,641 as reported by the bank. The income is reported in the Public Library Fund (a special revenue fund). The reports of Bank of America Investment Services are not included in the audit of the Town's records.



EXHIBIT E

TOWN OF CONWAY, NEW HAMPSHIRE

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis)

General Fund

For the Fiscal Year Ended December 31, 2009

Davis	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:	0 (100 015	A	
Taxes	\$ 6,199,215	\$ 6,475,874	\$ 276,659
Licenses and permits	1,725,200	1,698,521	(26,679)
Intergovernmental	900,980	930,629	29,649
Charges for services	195,390	219,574	24,184
Miscellaneous	148,357	130,814	(17,543)
Total revenues	9,169,142	9,455,412	286,270
Expenditures:			
Current:			
General government	1,820,762	1,853,598	(32,836)
Public safety	2,965,056	2,959,837	5,219
Highways and streets	1,835,261	1,692,857	142,404
Sanitation	728,936	704,128	24,808
Health	50,590	50,773	(183)
Welfare	143,728	132,767	10,961
Culture and recreation	824,005	800,140	23,865
Conservation	17,250	17,331	(81)
Debt service:	,	,	(01)
Principal	485,000	485,000	_
Interest	72,304	70,840	1,464
Total expenditures	8,942,892	8,767,271	175,621
Excess of revenues over expenditures	226,250	688,141	461,891
Other financing sources (uses):			
Transfers in	66,250	62,936	(3,314)
Transfers out	(592,500)	(592,500)	•
Total other financing sources and uses	(526,250)	(529,564)	(3,314)
Net change in fund balances	\$ (300,000)	158,577	\$ 458,577
Increase fund balance for designated for contingency		(8,341)	
Unreserved fund balance, beginning		1,677,222	
Unreserved fund balance, ending		\$ 1,827,458	
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TOWN OF CONWAY, NEW HAMPSHIRE

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

General Budget Policies	
Budgetary Reconciliation	

TOWN OF CONWAY, NEW HAMPSHIRE

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

1. General Budget Policies

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town's operations. At its annual meeting, the Town adopts a budget for the current year for the general fund. Except as reconciled below, the budget was adopted on a basis consistent with U.S. generally accepted accounting principles.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets, but provide for the use of beginning unreserved fund balance to achieve that end. In the fiscal year 2009, \$300,000 of the beginning general fund fund balance was applied for this purpose.

2. Budgetary Reconciliation

The following reconciles the general fund budgetary basis to the GAAP basis.

Revenues and other financing sources:	
Per Exhibit E (budgetary basis)	\$ 9,518,348
Adjustment:	
Basis difference:	
On-behalf retirement contributions made by the State of New Hampshire	
recognized as revenue on the GAAP basis, but not on the budgetary basis	77,867
Per Exhibit C-3 (GAAP basis)	\$ 9,596,215
Expenditures and other financing uses:	
Per Exhibit E (budgetary basis)	\$ 9,359,771
Adjustment:	
Basis differences:	
Encumbrances, beginning	2,500
On-behalf retirement contributions made by the State of New Hampshire	
recognized as an expenditure on the GAAP basis, but not on the budgetary basis	77,867
Per Exhibit C-3 (GAAP basis)	\$ 9,440,138



SCHEDULE 1 TOWN OF CONWAY, NEW HAMPSHIRE

Major General Fund

Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)

For the Fiscal Year Ended December 31, 2009

	Estimated	Actual	Variance Positive (Negative)
Taxes:	e = 044 440	\$ 6,200,567	\$ 256,119
Property	\$ 5,944,448 17,500	18,070	570
Land use change	23,380	28,704	5,324
Yield Excavation	25,580 650	629	(21)
Payment in lieu of taxes	23,237	22,399	(838)
Interest and penalties on taxes	190,000	205,505	15,505
Total from taxes	6,199,215	6,475,874	276,659
- 			
Licenses, permits and fees:	20.000	22.720	2 720
Business licenses, permits and fees	20,000	22,739	2,739
Motor vehicle permit fees	1,535,000	1,493,628	(41,372) 6,784
Building permits	30,000 140,200	36,784 145,370	5,170
Other	1,725,200	1,698,521	(26,679)
Total from licenses, permits and fees	1,723,200	1,090,321	(20,075)
Intergovernmental: State:			
Meals and rooms distribution	410,137	410,137	-
Highway block grant	212,856	212,856	_
Other	244,838	274,486	29,648
Federal:			
FEMA	33,149	33,150	1_
Total from intergovernmental	900,980	930,629	29,649
Charges for services:			
Income from departments	195,390	219,574	24,184
•			
Miscellaneous:	1 120	1 467	347
Sale of municipal property	1,120 50,000	1,467 33,714	(16,286)
Interest on investments	97,237	72,737	(24,500)
Rent of property	91,431	17,350	17,350
Fines and forfeits	<u>-</u> 	5,546	5,546
Other Total from miscellaneous	148,357	130,814	(17,543)
Total Holli Miscentaneous	140,337	130,011	(27,50 10)
Other financing sources:	66.050	(2.026	(2.214)
Transfers in	66,250	62,936	(3,314)
Total revenues and other financing sources	9,235,392	\$ 9,518,348	\$ 282,956
Unreserved fund balance used to reduce tax rate	300,000		
Total revenues, other financing sources and use of fund balance	\$ 9,535,392		

SCHEDULE 2 TOWN OF CONWAY, NEW HAMPSHIRE

Major General Fund

Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2009

	Encumbered from Prior Year		Apr	propriations	Ex	penditures	Variance Positive (Negative)	
Current:				•		<u> </u>		,
General government:								
Executive	\$	-	\$	217,631	\$	216,519	\$	1,112
Election and registration		-		91,601		91,782		(181)
Financial administration		-		235,534		239,606		(4,072)
Revaluation of property		-		135,665		136,149		(484)
Legal		-		55,000		125,209		(70,209)
Personnel administration		-		768,258		738,871		29,387
Planning and zoning		-		156,346		153,953		2,393
General government buildings		-		107,726		100,936		6,790
Cemeteries		-		1		-		1
Insurance, not otherwise allocated				53,000		50,573		2,427
Total general government	-	-		1,820,762		1,853,598		(32,836)
Public safety:				2.400.274		2 400 210		4.0
Police		-		2,480,264		2,480,218		46
Ambulance		2.500		154,000		154,000		4 470
Fire Building inspection		2,500		264,765		262,795 65,324		4,470 703
Total public safety		2,500		2,965,056		2,962,337		5,219
Total phone salety		2,300		2,705,050		2,702,331		5,217
Highways and streets:								
Administration		-		53,717		56,032		(2,315)
Highways and streets				1,781,544		1,636,825		144,719
Total highways and streets				1,835,261		1,692,857		142,404
Sanitation:								
Administration		-		53,717		58,251		(4,534)
Solid waste disposal	·			675,219		645,877		29,342
Total sanitation				728,936		704,128		24,808
Health:								
Pest control		-		3,025		3,208		(183)
Health agencies				47,565		47,565		
Total health		-		50,590		50,773		(183)
Welfare:								
Administration		-		43,244		45,863		(2,619)
Direct assistance		-		60,484		60,484		
Vendor payments				40,000		26,420		13,580
Total welfare	<u></u>			143,728		132,767		10,961
Culture and recreation:				0// -/-		044 -04		
Parks and recreation		-		366,165		344,534		21,631
Library		-		446,640		443,906		2,734
Patriotic purposes				11,200	-	11,700		(500)
Total culture and recreation				824,005		800,140		23,865
Conservation				17,250		17,331		(81)
								21

(Continued)

SCHEDULE 2 (Continued) TOWN OF CONWAY, NEW HAMPSHIRE

Major General Fund

Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis) For the Fiscal Year Ended December 31, 2009

	fro	imbered n Prior Year	Ap	propriations	Expenditures	F	'ariance Positive Jegative)
Debt service:							
Principal of long-term debt		-		485,000	485,000		_
Interest on long-term debt		-		69,804	69,804		-
Interest on tax anticipation notes				2,500	1,036		1,464
Total debt service				557,304	555,840		1,464
Other financing uses:							
Transfers out		<u> </u>		592,500	592,500		
Total appropriations, expenditures,							
other financing uses and encumbrances	\$	2,500	\$	9,535,392	\$ 9,362,271	_\$	175,621

SCHEDULE 3 TOWN OF CONWAY, NEW HAMPSHIRE

Major General Fund

Schedule of Changes in Unreserved - Undesignated Fund Balance (Non-GAAP Budgetary Basis) For the Fiscal Year Ended December 31, 2009

Unreserved, undesignated fund balance, beginning		\$ 1,677,222
Changes: Unreserved fund balance used to reduce 2009 tax rate		(300,000)
2009 Budget summary:Revenue surplus (Schedule 1)Unexpended balance of appropriations (Schedule 2)2009 Budget surplus	\$ 282,956 175,621	458,577
Increase in fund balance designated for contingency Unreserved, undesignated fund balance, ending		(8,341) \$ 1,827,458

SCHEDULE 4 TOWN OF CONWAY, NEW HAMPSHIRE

Nonmajor Governmental Funds Combining Balance Sheet December 31, 2009

	Special Revenue Funds									
					Hul	Hubbard and		Police		
		Public	Co	nservation	Dav	is Public	Commerical		Police	
]	Library	_Co	mmission	Fore	st Reserve		Detail	D.	A.R.E.
ASSETS										
Cash and cash equivalents	\$	59,633	\$	-	\$	-	\$	6,591	\$	1,557
Investments		257,536		659,256		15,275		-		-
Receivables, net of allowance										
Accounts		-		-		-		6,325		-
Intergovernmental		-		-		-		-		-
Interfund receivable						-				
Total assets	\$	317,169	\$	659,256	\$	15,275	\$	12,916	\$	1,557
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$	-	\$	-	\$	-	\$	-	\$	-
Interfund payable		-		17,331		-		445		-
Deferred revenue		_		-		_				
Total liabilities		-		17,331		-		445		<u>-</u>
Fund balances:										
Reserved for endowments		101,979		-		-		-		-
Reserved for special purposes		-		-		_		-		-
Unreserved, undesignated		215,190		641,925		15,275		12,471		1,557
Total fund balances		317,169		641,925		15,275		12,471		1,557
Total liabilities and fund balances	\$	317,169	\$	659,256	\$	15,275		12,916	\$	1,557

		S	pecial Rev	enue	Funds						
S	eyeling pecial Waste	Re	ecreation		Grants	Dr Forfe			manent Jund		Total
\$	5,430 -	\$	24,145	\$	39,533	\$	-	\$ 2	35,483	\$	136,889 1,167,550
	10,284 2,444		-		317,845		-		- - -		16,609 317,845 2,444
\$	18,158	\$	24,145	\$	357,378	\$	-	\$ 2	35,483	\$	1,641,337
\$		\$	_	\$	103,842	\$	_	\$	<u>.</u>	\$	103,842
Ψ		Ψ	-	Ψ	214,003 39,054	ŭ	-	Ψ		•	231,779 39,054
		_			356,899						374,675
	_		-		-		_		73,244		175,223
	_		_		-		-]	62,239		162,239
	18,158		24,145		479						929,200
	18,158		24,145	_	479		-	2	235,483		1,266,662
\$	18,158	\$	24,145	\$	357,378	\$		\$ 2	235,483	\$	1,641,337

SCHEDULE 5 TOWN OF CONWAY, NEW HAMPSHIRE

Nonmajor Governmental Funds

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances For the Fiscal Year Ended December 31, 2009

	Special Revenue Funds									
	Public Library			Conservation Commission		Hubbard and Davis Public Forest Reserve		olice nmerical Detail	_	olice A.R.E.
Revenues:										
Taxes	\$	-	\$	18,070	\$	-	\$	-	\$	-
Intergovernmental		-		-		-		-		-
Charges for services	1	8,480		-		-		156,540		-
Miscellaneous	2	3,500		12,230		51		9		1,140
Total revenues		41,980		30,300		51		156,549		1,140
Expenditures:										
Current:										
General government		-		_		_		_		_
Public safety		-		_		-		154,748		3,925
Sanitation		-		_		-		_		_
Culture and recreation		6,575		_		-		_		_
Capital outlay		-		_		_		_		
Total expenditures		6,575				-		154,748		3,925
Excess (deficiency) of revenues										
over (under) expenditures	3	5,405		30,300		51		1,801	((2,785)
Other financing uses:										
Transfers out	(4	5,605)		(17,331)						
Net change in fund balances	(1	0,200)		12,969		51		1,801	(2,785)
Fund balances, beginning		7,369		628,956		15,224		10,670		4,342
Fund balances, ending		7,169	\$	641,925	\$	15,275	\$	12,471		1,557

	Special Revenue Funds										
Spec	Recycling Special Waste		tion	Grants			rug eiture	Permanent Fund			Total
\$	-	\$	_	\$	-	\$	_	\$	-	\$	18,070
	-		-	67	8,663		-		-		678,663
101,	058	52,	,643		-		-		-		328,721
	9		33		379	2	5,470		1,186		64,007
101,	067	52	676	67	9,042	2	5,470		1,186		1,089,461
	371 - 371		.000	54	5,635 - - 2,928 8,563		5,470 - - - - 5,470		2,562	_	2,562 319,778 86,371 56,575 542,928 1,008,214
14,	696_	2,	676		479				(1,376)		81,247
					-				-		(62,936)
14,	696	2,	676		479		-		(1,376)		18,311
3,	462		469						236,859		1,248,351
\$ 18,	158	\$ 24,	145	\$	479	\$	-	\$ 2	235,483	\$	1,266,662

SINGLE AUDIT ACT SCHEDULES AND INDEPENDENT AUDITOR'S REPORTS



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX-224-1380

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of the Board of Selectmen Town of Conway Conway, New Hampshire

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Conway as of and for the year ended December 31, 2009, which collectively comprise the Town of Conway's basic financial statements and have issued our report thereon dated October 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town of Conway's internal control over financial reporting as a basis for designing our auditing procedures 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 of Conway's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Conway's internal control over financial reporting.

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 combination or 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and other Matters

As part of obtaining reasonable assurance about whether the Town of Conway's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the board of selectmen, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

October 8, 2010

Sugay G. Colly, CPA
PLODZIK & SANDERSON
Professional Association



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Members of the Board of Selectmen Town of Conway Conway, New Hampshire

Compliance

We have audited the compliance of the Town of Conway with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2009. The Town of Conway's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Town of Conway's management. Our responsibility is to express an opinion on the Town of Conway's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Conway's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Conway's compliance with those requirements.

In our opinion, the Town of Conway complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2009.

Internal Control over Compliance

Management of the Town of Conway is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Conway's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Town of Conway

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

This report is intended solely for the information and use of management, board of selectmen, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

October 8, 2010

Shigay G. Glly, CPA

PLODZIK & SANDERSON
Professional Association

SCHEDULE I TOWN OF CONWAY, NEW HAMPSHIRE

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2009

SECTION I - SUMMARY OF AUDITOR'S RESULTS

A. Financial Statements

- 1. The auditor's report expresses an unqualified opinion on the financial statements.
- 2. There were no material weaknesses identified relating to the internal control over financial reporting.
- 3. There were no significant deficiencies identified that were not considered material weaknesses relating to the internal control over financial reporting.
- 4. There were no instances of noncompliance material to the financial statements identified.

B. Federal Awards

- 1. There were no material weaknesses identified relating to the internal control over major programs.
- 2. There were no significant deficiencies identified that were not considered material weaknesses relating to the internal control over major programs.
- 3. The auditor's report on compliance for major programs expresses an unqualified opinion.
- 4. There are no audit findings required to be reported in accordance with section 510(a) of OMB Circular A-133.
- 5. The program tested as a major program is CFDA No. 14.228: Community Development Block Grant/State's Program.
- 6. The threshold for distinguishing between Types A and B programs was \$300,000.
- 7. The Town of Conway was determined not to be a low-risk auditee.

SECTION II - FINANCIAL STATEMENT FINDINGS

NONE

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

SCHEDULE II TOWN OF CONWAY, NEW HAMPSHIRE Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2009

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through the New Hampshire Community Development Finance Authority			
Community Development Block Grant/State's Program (note 3)	14.228	08-016-CDPF	\$ 333,316
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through the State of New Hampshire Department of Transportation			
Highway Planning and Construction: Conway Village Streetscape Intervale Crossroads Highway-Rail Guard Rehabilitation PROGRAM TOTAL	20.205 20.205	11339-I 15681	94,438 65,699 160,137
Passed Through the State of New Hampshire Highway Safety Agency			
State and Community Highway Safety	20.600	311-09B-002	4,500
U.S. DEPARTMENT OF HEALTH HUMAN SERVICES			
Passed Through the State of New Hampshire Department of Health and Human Services			
Medical Reserve Corps Small Grant Program	93.008	N/A	16,712
Public Health Emergency Preparedness	93.069	N/A	17,393
DIRECT PROGRAM			
U.S. DEPARTMENT OF JUSTICE			
Bullet Proof Vest Partnership Program	16.607	N/A	2,692
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	68,875
Total Expenditures of Federal Awards			\$ 603,625

The accompanying notes are an integral part of this schedule.

TOWN OF CONWAY, NEW HAMPSHIRE NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal grant activity of the Town of Conway under programs of the federal government for the year ended December 31, 2009. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Town of Conway, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Town of Conway.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A- 87, Cost Principles for State, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Note 3. Subrecipients

Of the federal expenditures presented in the schedule, the Town of Conway provided federal awards to subrecipients as follows:

CFDA		Amount Provided to
Number	Program Name	Subrecipients
14.228	Community Development	\$ 314,245
	Block Grant/State's Program	