

**TOWN OF CONWAY,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2012**

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PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major general fund, and the aggregate remaining fund information of the Town of Conway as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major general fund, and the aggregate remaining fund information of the Town of Conway as of December 31, 2012, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 3 through 10) and the Schedule of Funding Progress for Other Postemployment Benefit Plan (page 38) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and

*Town of Conway
Independent Auditor's Report*

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

Other Information

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 financial schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

June 19, 2013

*Plodzik & Sanderson
Professional Association*

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 position presents information on all the Town's assets and liabilities, with the difference between the two reported as net position. 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 position changed during the most recent fiscal year. All changes in net position 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 11-12 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 ten 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 fund which includes the expendable trust funds. Data from the other nine 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 schedule of funding progress for the OPEB liability.

STATEMENT OF NET POSITION

	2012	2011	Increase (Decrease)
CURRENT AND OTHER ASSETS	14,929,572	13,789,225	1,140,347
CAPITAL ASSETS, NET OF DEPRECIATION	23,951,794	23,263,957	687,837
TOTAL ASSETS	38,881,366	37,053,182	1,828,184
LONG-TERM LIABILITIES OUTSTANDING	3,394,786	2,215,292	1,179,494
OTHER LIABILITIES	7,055,844	5,900,885	1,154,959
TOTAL LIABILITIES	10,450,630	8,116,177	2,334,453
NET ASSETS	28,430,736	28,937,005	-506,269
NET INVESTMENT IN CAPITAL ASSETS	23,576,794	22,808,957	767,837
RESTRICTED	230,755	230,902	-147
UNRESTRICTED	4,623,187	2,897,146	1,726,041
TOTAL NET POSITION	28,430,736	25,937,005	2,493,731

Capital assets: Capital asset activity for the year ended December 31, 2012 consisted of the following:

	Balance, beginning	Additions	Disposals	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 5,579,210	\$ 142,672	\$ (2,301)	\$ 5,719,581
Being depreciated:				
Buildings and building improvements	5,375,645	73,620	-	5,449,265
Machinery, equipment, and vehicles	3,656,670	545,019	(404,023)	3,797,666
Infrastructure	12,858,312	729,304	-	13,587,616
Intangible assets	45,404	-	-	45,404
Total capital assets being depreciated	<u>21,936,031</u>	<u>1,347,943</u>	<u>(404,023)</u>	<u>22,879,951</u>
Total all capital assets	<u>27,515,241</u>	<u>1,490,615</u>	<u>(406,324)</u>	<u>28,599,532</u>
Less accumulated depreciation:				
Buildings and building improvements	(1,139,705)	(109,096)	-	(1,248,801)
Machinery, equipment, and vehicles	(1,734,629)	(211,692)	276,949	(1,669,372)
Infrastructure	(1,357,275)	(349,588)	-	(1,706,863)
Intangible assets	(19,675)	(3,027)	-	(22,702)
Total accumulated depreciation	<u>(4,251,284)</u>	<u>(673,403)</u>	<u>276,949</u>	<u>(4,647,738)</u>
Net book value, capital assets being depreciated	<u>17,684,747</u>	<u>674,540</u>	<u>(127,074)</u>	<u>18,232,213</u>
Net book value, all governmental activities capital assets	<u>\$23,263,957</u>	<u>\$ 817,212</u>	<u>\$(129,375)</u>	<u>\$23,951,794</u>

Current assets include cash, investments, taxes receivable and other receivables. Capital assets are buildings, building improvements, infrastructure and improvements, 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 which is reported as OPEB (Other Post-Employment Benefits). Also included in long-term liabilities are the accrued landfill closure and post-closure care costs. Due to a change in the calculation, this amount more than doubled.

Net investment in capital assets is capital assets less accumulated depreciation and the debt outstanding on these assets. The restricted net position is 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 increased because the Town of Conway continues to schedule road work in cooperation with the North Conway Water Precinct and Conway Village Fire District. Road reconstruction costs are reduced because the precincts are paying a substantial portion of the cost when they install or upgrade underground water and sewer lines. The North South Local Road was paved. Work was done on the leased Municipal Parking lot in cooperation with the owners. The Police Department purchased two vehicles in 2012 and hopes to purchase two each year from now on. A new truck with plow and dump body, and a plow, sander and dump body for older vehicles were purchased for the Highway Department. The Highway Department also purchased a new loader. The Solid Waste Department purchased a new moving floor trailer, a Grizzly screen and a Kioti. The Recreation Department received a used van thanks to the generosity of the Friends of Conway Recreation. Equipment was purchased for Valley Vision using monies from Time Warner Cable franchise fees. The deed to the Hobbs Street Superfund property was accepted by the Town as the cleanup is

complete. Conservation funds were used to purchase property on Sunset Hill from the State of New Hampshire. Work was begun on the building at the Transfer Station.

TOWN OF CONWAY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012

	Expenses	Program Revenues Charges for Services	Operating Grants & Contributions	Net(Expense) Revenue & Change in Net Position
Governmental activities;				
General government	2,205,612	46,637	100,708	-2,058,267
Public Safety	3,554,034	80,715	12,787	-3,460,532
Highway and streets	2,199,875	31,289	217,989	-1,950,597
Sanitation	1,899,559	283,895	92,345	-1,523,319
Health	50,581			-50,581
Welfare	155,975			-155,975
Culture and recreation	1,061,554	95,965	27,692	-937,897
Conservation	63,545			-63,545
Interest on long-term debt	16,047			-16,047
Capital outlay	91,519		42,594	-48,925
Total governmental activities	<u>11,298,301</u>	<u>538,501</u>	<u>494,115</u>	<u>-10,265,685</u>
General Revenues:				
Taxes:				
Property				7,090,577
Other				455,551
Motor vehicle fees				1,438,050
Licenses & other fees				229,842
Grants & contrib. not restricted to specific programs				455,182
Miscellaneous				90,214
Total general revenues				<u>9,759,416</u>
Change in net position				-506,269
Net position, beginning				<u>28,937,005</u>
Net position, ending				<u>28,430,736</u>

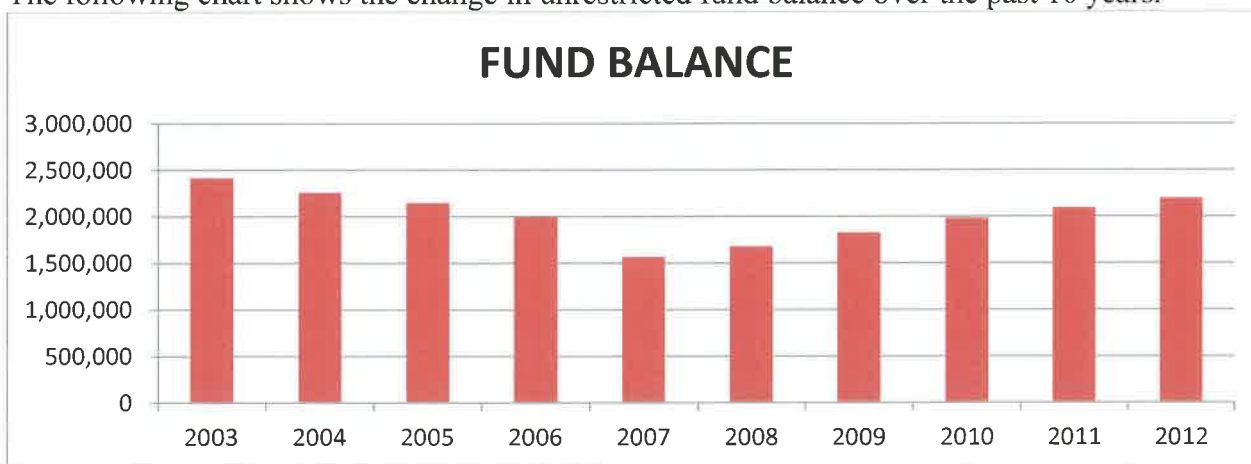
The first section of the Statement of Activities shows the relationship between expenses and offsetting revenues for various areas of Town government. The highway block grant is included in the operating grant number. The fees charged by various departments for services are included in the charges for 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 position were described earlier.

The change in long-term debt resulted from annual bond payments. Currently the bond for the Library expansion is the only outstanding bond and it will be paid off in 2017.

The year 2012 ended with an unassigned fund balance in the General Fund of \$2,195,344. The unassigned fund balance at the beginning of 2012 was \$2,093,652. For 2012 revenues in excess of estimates were \$180,836. Unexpended or unencumbered appropriations were \$191,495. This is shown in the Statement of Revenues, Appropriations, Expenditures and Change in Fund Balance. For 2012 \$390,000 from fund balance was used to reduce taxes. The deeding of the Hobbs Street property resulted in the removal of the allowance for uncollected taxes which increased the fund balance by \$89,518. Lastly the allowance for abatements was reduced by \$29,497 and the amount held for prepaid expense was reduced by \$346.

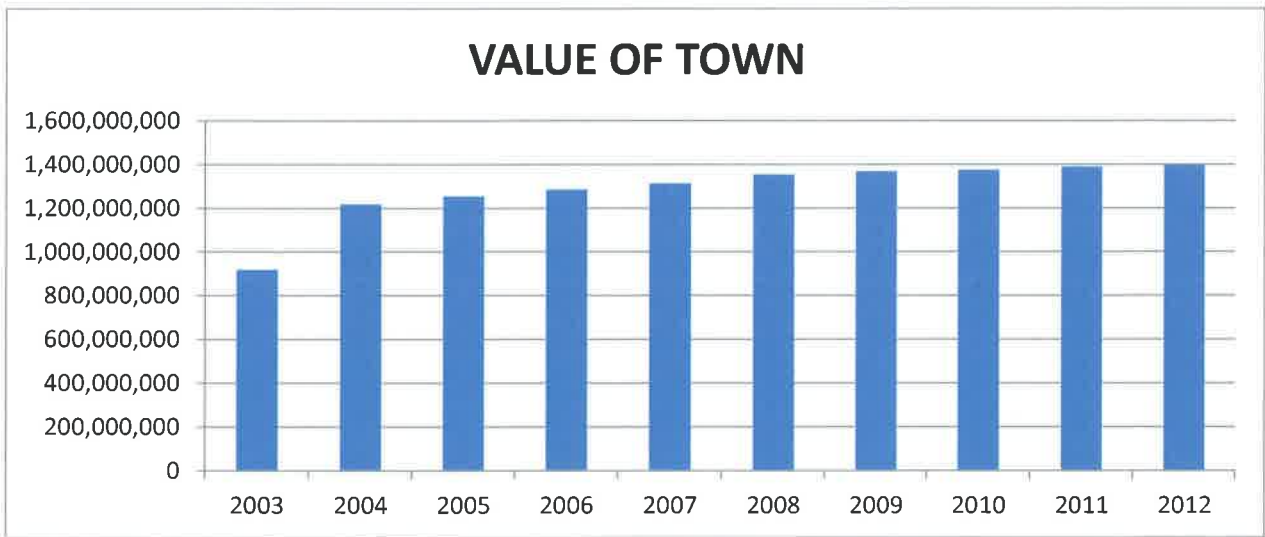
The Department of Revenue Administration and the Government Finance Officers Association recommend a retained fund balance of between 5% and 15% of the total of the town’s appropriation, plus state and local education taxes, and precinct taxes. This total for 2012 was \$27,294,361. Therefore, the recommended amount to be retained is between \$1,364,718 and \$4,094,154. The Town’s retained fund balance of \$2,195,344 is just over 8%. The fund balance was declining for several years from a high of \$2,643,456 but has increased for the last 5 years since hitting a low of \$1,566,219 in 2007.

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

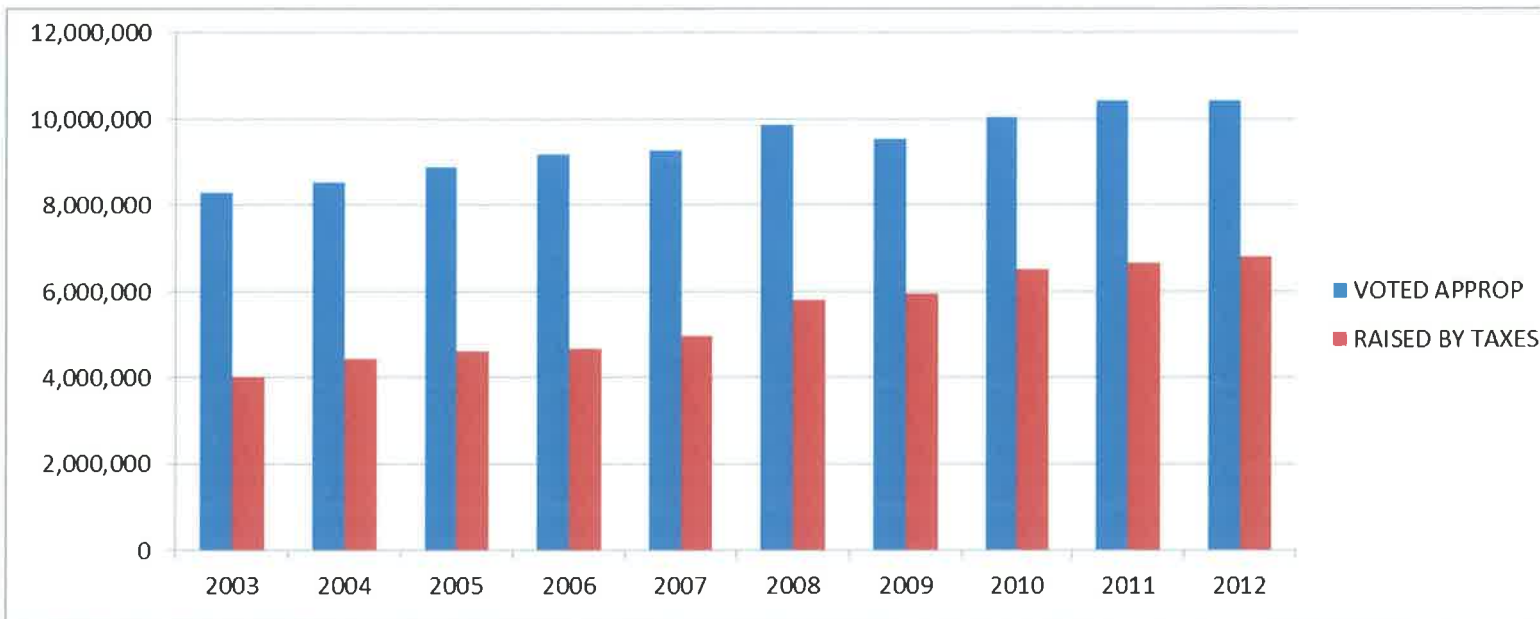


In the past 10 years the total net assessment for the Town of Conway has increased from 918,373,920 to 1,398,325,665 or about 151%. The increase in value to the Town has stalled as the real estate market has cooled and commercial construction has slowed and leveled off.

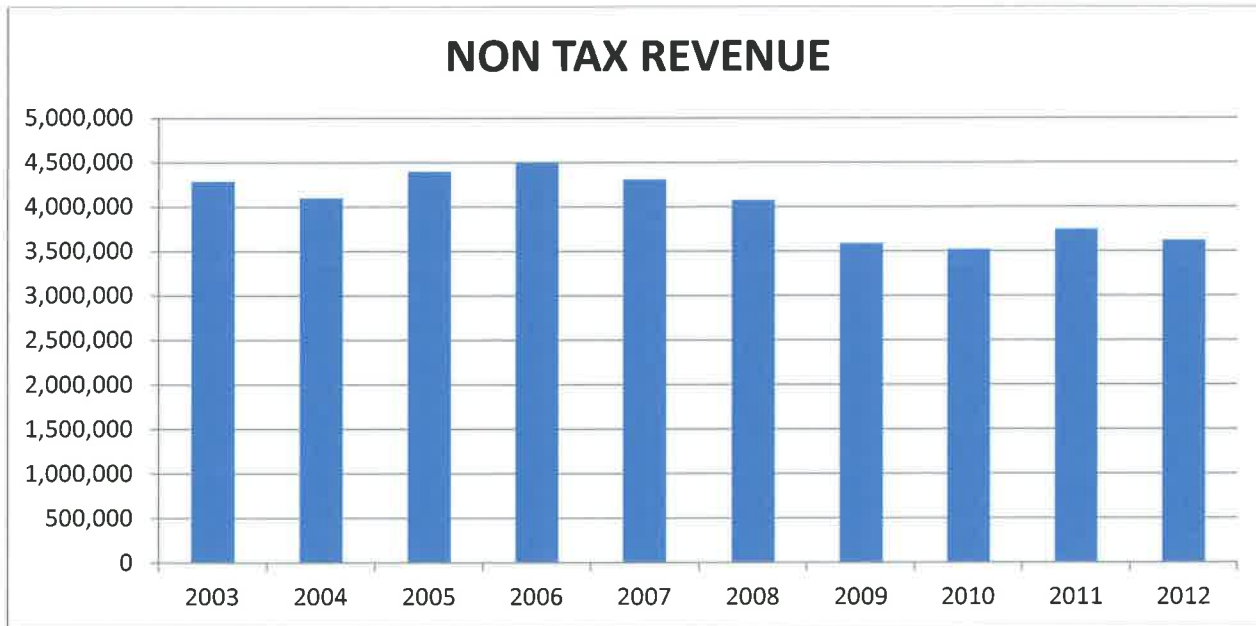
The 10 year increase in value is shown in the chart below.



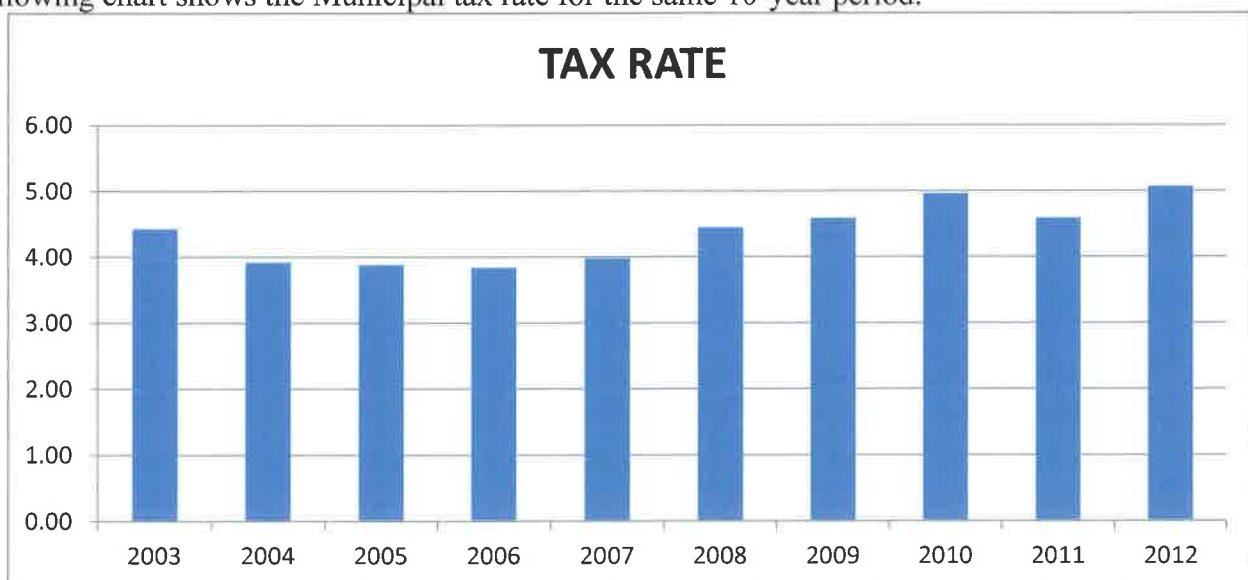
For the same period the relationship between total appropriations and the amount to be raised by taxes is shown in the chart below.



Non tax revenues, which were increasing, dropped off sharply in 2009. The sharp decline has leveled off. It is, however, likely that revenues from the State of New Hampshire will continue to decline.



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.

YEAR	2012	2011	2010	2009	2008
OPERATING BUDGET	9,149,323	8,998,983	8,929,327	9,199,343	9,339,365
SEPARATE	143,066	5,784			
WARRANT ARTICLES	963,301	1,232,299	937,938	153,000	338,681
NON PROFITS	182,679	177,326	158,565	183,049	191,615
TOTAL APPROPRIATIONS	10,438,369	10,414,392	10,025,830	9,535,392	9,869,661
AMOUNT RAISED BY TAXES	6,816,623	6,796,272	6,524,810	6,475,875	6,028,280
NON TAX REVENUES	3,621,746	3,618,120	3,501,020	3,059,517	3,841,381
MUNICIPAL TAX RATE	5.07	4.59	4.96	4.59	4.45
PERCENT RAISED BY TAXES	65%	65%	65%	68%	61%
VALUE FOR MUNICIPAL					
RATE	1,398,325,665	1,389,429,265	1,374,926,765	1,368,950,300	1,354,679,413
UNASSIGNED FUND					
BALANCE	2,195,344	2,093,652	1,980,339	1,827,458	1,677,222
YEAR	2007	2006	2005	2004	2003
OPERATING BUDGET	8,812,428	8,709,232	8,481,897	8,088,055	7,774,767
SEPARATE					80,448
WARRANT ARTICLES	285,137	287,840	338,102	253,545	347,718
NON PROFITS	177,749	175,549	174,963	178,028	176,828
TOTAL APPROPRIATIONS	9,275,314	9,172,621	8,994,962	8,519,628	8,379,761
AMOUNT RAISED BY TAXES	5,231,681	4,929,697	4,875,664	4,781,941	4,069,717
NON TAX REVENUES	4,043,633	4,242,924	4,119,298	3,737,687	4,310,044
MUNICIPAL TAX RATE	3.98	3.84	3.88	3.92	4.43
PERCENT RAISED BY TAXES	56%	54%	54%	56%	49%
VALUE FOR MUNICIPAL					
RATE	1,313,281,390	1,284,930,920	1,255,015,320	1,219,036,920	918,373,920
UNASSIGNED FUND					
BALANCE	1,566,219	1,997,872	2,146,740	2,257,645	2,417,092

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 Position
December 31, 2012

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 5,417,222
Investments	6,933,367
Other receivables, net of allowances for uncollectible	2,578,244
Prepaid items	739
Capital assets, not being depreciated:	
Land	5,719,581
Capital assets, net of accumulated depreciation:	
Buildings and building improvements	4,200,464
Machinery, equipment, and vehicles	2,128,294
Infrastructure	11,880,753
Intangible assets	22,702
Total assets	38,881,366
LIABILITIES	
Accounts payable	21,237
Accrued salaries and benefits	127,807
Contract payable	4,766
Intergovernmental payable	6,743,014
Accrued interest payable	5,794
Unearned revenue	27,967
Noncurrent obligations:	
Due within one year:	
Bond	75,000
Compensated absences	50,259
Due in more than one year:	
Bond	300,000
Compensated absences	595,307
Other postemployment benefits	505,479
Accrued landfill closure and postclosure care costs	1,994,000
Total liabilities	10,450,630
NET POSITION	
Net investment in capital assets	23,576,794
Restricted for perpetual care	230,755
Unrestricted	4,623,187
Total net position	\$ 28,430,736

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT B
TOWN OF CONWAY, NEW HAMPSHIRE
Statement of Activities
For the Fiscal Year Ended December 31, 2012

	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 2,205,612	\$ 46,637	\$ 100,708	\$ (2,058,267)
Public safety	3,554,034	80,715	12,787	(3,460,532)
Highways and streets	2,199,875	31,289	217,989	(1,950,597)
Sanitation	1,899,559	283,895	92,345	(1,523,319)
Health	50,581	-	-	(50,581)
Welfare	155,975	-	-	(155,975)
Culture and recreation	1,061,554	95,965	27,692	(937,897)
Conservation	63,545	-	-	(63,545)
Interest on long-term debt	16,047	-	-	(16,047)
Capital outlay	91,519	-	42,594	(48,925)
Total governmental activities	<u>\$ 11,298,301</u>	<u>\$ 538,501</u>	<u>\$ 494,115</u>	<u>(10,265,685)</u>
General revenues:				
Taxes:				
Property				7,090,577
Other				455,551
Motor vehicle permit fees				1,438,050
Licenses and other fees				229,842
Grants and contributions not restricted to specific programs				455,182
Miscellaneous				90,214
Total general revenues				<u>9,759,416</u>
Change in net position				(506,269)
Net position, beginning				<u>28,937,005</u>
Net position, ending				<u>\$ 28,430,736</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-1
TOWN OF CONWAY, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
December 31, 2012

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 5,234,258	\$ 182,964	\$ 5,417,222
Investments	5,702,426	1,230,941	6,933,367
Receivables, net of allowance for uncollectible:			
Taxes	2,539,820	-	2,539,820
Accounts	27,351	11,073	38,424
Interfund receivable	670	-	670
Prepaid items	739	-	739
Total assets	<u>\$ 13,505,264</u>	<u>\$ 1,424,978</u>	<u>\$ 14,930,242</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 21,237	\$ -	\$ 21,237
Accrued salaries and benefits	127,807	-	127,807
Contract payable	4,766	-	4,766
Intergovernmental payable	6,743,014	-	6,743,014
Interfund payable	-	670	670
Deferred revenue	-	27,967	27,967
Total liabilities	<u>6,896,824</u>	<u>28,637</u>	<u>6,925,461</u>
Fund balances:			
Nonspendable	739	74,944	75,683
Restricted	-	461,866	461,866
Committed	4,302,361	859,531	5,161,892
Assigned	109,996	-	109,996
Unassigned	2,195,344	-	2,195,344
Total fund balances	<u>6,608,440</u>	<u>1,396,341</u>	<u>8,004,781</u>
Total liabilities and fund balances	<u>\$ 13,505,264</u>	<u>\$ 1,424,978</u>	<u>\$ 14,930,242</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-2
TOWN OF CONWAY, NEW HAMPSHIRE
Reconciliation of Total Governmental Fund Balances to the Statement of Net Position
December 31, 2012

Total fund balances of governmental funds (Exhibit C-1)		\$ 8,004,781
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.		
Cost	\$ 28,599,532	
Less accumulated depreciation	<u>(4,647,738)</u>	
		23,951,794
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (670)	
Payables	<u>670</u>	
		-
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(5,794)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.		
Bond	\$ 375,000	
Compensated absences	645,566	
Other postemployment benefits	505,479	
Accrued landfill closure and postclosure care costs	<u>1,994,000</u>	
		<u>(3,520,045)</u>
Total net position of governmental activities (Exhibit A)		<u>\$ 28,430,736</u>

The notes to the basic financial statements are an integral part of this statement.

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, 2012

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 7,351,171	\$ 52,285	\$ 7,403,456
Licenses and permits	1,667,892	-	1,667,892
Intergovernmental	889,317	59,980	949,297
Charges for services	298,355	240,146	538,501
Miscellaneous	71,741	18,473	90,214
Total revenues	<u>10,278,476</u>	<u>370,884</u>	<u>10,649,360</u>
Expenditures:			
Current:			
General government	1,992,152	1,598	1,993,750
Public safety	3,472,614	36,514	3,509,128
Highways and streets	1,992,181	-	1,992,181
Sanitation	723,820	123,292	847,112
Health	50,581	-	50,581
Welfare	154,129	-	154,129
Culture and recreation	975,272	72,895	1,048,167
Conservation	12,195	51,350	63,545
Debt service:			
Principal	80,000	-	80,000
Interest	17,304	-	17,304
Capital outlay	851,835	42,608	894,443
Total expenditures	<u>10,322,083</u>	<u>328,257</u>	<u>10,650,340</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(43,607)</u>	<u>42,627</u>	<u>(980)</u>
Other financing sources (uses):			
Transfers in	45,400	-	45,400
Transfers out	-	(45,400)	(45,400)
Total other financing sources and uses	<u>45,400</u>	<u>(45,400)</u>	<u>-</u>
Net change in fund balances	1,793	(2,773)	(980)
Fund balances, beginning	<u>6,606,647</u>	<u>1,399,114</u>	<u>8,005,761</u>
Fund balances, ending	<u>\$ 6,608,440</u>	<u>\$ 1,396,341</u>	<u>\$ 8,004,781</u>

The notes to the basic financial statements are an integral part of this statement.

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, 2012

Net change in fund balances of governmental funds (Exhibit C-3)		\$ (980)
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	\$ 1,084,291	
Depreciation expense	<u>(396,454)</u>	687,837
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (45,400)	
Transfers out	<u>45,400</u>	-
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net position.		
Repayment of bond principal		80,000
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	\$ 1,257	
Increase in compensated absences payable	(42,903)	
Increase in postemployment benefits payable	(136,210)	
Increase in accrued landfill postclosure care costs	<u>(1,095,270)</u>	(1,273,126)
Changes in net position of governmental activities (Exhibit B)		<u><u>\$ (506,269)</u></u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT D
TOWN OF CONWAY, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Change in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2012

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Taxes	\$ 7,196,514	\$ 7,351,171	\$ 154,657
Licenses and permits	1,620,871	1,667,892	47,021
Intergovernmental	908,084	889,317	(18,767)
Charges for services	232,500	298,355	65,855
Miscellaneous	45,000	66,588	21,588
Total revenues	<u>10,002,969</u>	<u>10,273,323</u>	<u>270,354</u>
Expenditures:			
Current:			
General government	1,995,617	1,931,120	64,497
Public safety	3,568,877	3,472,614	96,263
Highways and streets	1,953,561	1,992,181	(38,620)
Sanitation	777,536	723,820	53,716
Health	50,840	50,581	259
Welfare	153,970	154,129	(159)
Culture and recreation	867,973	866,794	1,179
Conservation	12,490	12,195	295
Debt service:			
Principal	80,000	80,000	-
Interest	18,504	17,304	1,200
Capital outlay	40,000	27,135	12,865
Total expenditures	<u>9,519,368</u>	<u>9,327,873</u>	<u>191,495</u>
Excess (deficiency) of revenues over (under) expenditures	<u>483,601</u>	<u>945,450</u>	<u>461,849</u>
Other financing sources (uses):			
Transfers in	45,400	45,400	-
Transfers out	(919,001)	(919,001)	-
Total other financing sources and uses	<u>(873,601)</u>	<u>(873,601)</u>	<u>-</u>
Net change in fund balances	<u>\$ (390,000)</u>	71,849	<u>\$ 461,849</u>
Decrease in nonspendable fund balance		347	
Decrease in assigned fund balance (non-encumbrances)		29,497	
Unassigned fund balance, beginning		<u>2,093,651</u>	
Unassigned fund balance, ending		<u>\$ 2,195,344</u>	

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT E-1
TOWN OF CONWAY, NEW HAMPSHIRE
Fiduciary Funds
Statement of Fiduciary Net Position
December 31, 2012

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	\$ -	\$ 69,674
Investments	144,436	3,583,749
Total assets	<u>144,436</u>	<u>3,653,423</u>
LIABILITIES		
Due to other governmental units	-	2,932,683
Due to others	-	720,740
Total liabilities	<u>-</u>	<u>3,653,423</u>
NET POSITION		
Held in trust for special purposes	<u>\$ 144,436</u>	<u>\$ -</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT E-2
TOWN OF CONWAY, NEW HAMPSHIRE
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended December 31, 2012

	Private Purpose Trust
ADDITIONS	
Investment earnings:	
Interest and dividends	\$ 154
New funds	11,080
Total additions	11,234
DEDUCTIONS	
Trust income distributions	(7,000)
Change in net position	4,234
Net position, beginning	140,202
Net position, ending	\$ 144,436

The notes to the basic financial statements are an integral part of this statement.

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2012

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TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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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 Basis of 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 Position presents the financial position of the governmental activities of the Town at year-end. This statement includes all of the Town's assets, liabilities, and net position. Net position is reported as one of three categories: net investment in capital assets; 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. Program revenues include (1) charges to customers or applicants for goods received, services rendered or privileges provided, and (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 and statements, with an emphasis placed on the major funds within the governmental 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 funds 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.

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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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 and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purpose other than capital projects.

Capital Projects Funds – are used to account for and report financial that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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 Position and a Statement of Changes in Fiduciary Net Position. 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.

Nonmajor Funds – The Town also reports nine nonmajor governmental funds.

Fiduciary Funds - The Town reports the following fiduciary funds:

Private Purpose Trust Funds:

Scholarship Fund – accounts for money left for the benefit of students.

Agency Funds:

Conway School District Expendable Trust Fund – accounts for legally established funds to be used by the school district for future costs.

Planning Board Escrow Funds – account for funds held in a custodial capacity for work done by developers in Town.

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 and 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.

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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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 (except property taxes mentioned below under Revenues-Nonexchange Transactions) 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. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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 property taxes, certain fees, 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 before it can be recognized (Interpretation No. 1, as modified, 60-day rule), with the exception of property taxes which are committed and recognized as revenue in order to offset the liability due the school district to be paid in monthly installments over the next six months. This practice is consistent with the previous years.

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."

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383.22. 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 for the Town are reported at fair value generally based on quoted market prices.

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2012

1-F Receivables

Receivables recorded in the financial statements represent amounts due to the Town at December 31. They are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. They consist primarily of taxes and accounts.

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 Position.

1-H Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

1-I Capital Assets

Capital assets, which include property, plant and equipment (infrastructure is not included), are reported in the applicable governmental column in the government-wide financial statements. Infrastructure has not been capitalized as the Town has not determined the historical cost for the initial reporting of these assets and does not maintain adequate records to capture annual capital outlay for infrastructure.

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated minimum useful life in excess of one year. As the Town constructs or acquires additional capital assets each year, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, and equipment of the Town are depreciated using the straight line method over the following estimated useful lives:

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

1-J Net Position Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., perpetual care and restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as *restricted net position* and *unrestricted net position* in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider *restricted net position* to have been depleted before *unrestricted net position* is applied.

1-K Fund Balance Flow Assumptions

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2012

1-L Revenues and Expenditures

Program Revenues - Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes and clerks fees are reported as general revenues rather than as program revenues.

Property Taxes - Tax revenue is recorded when a warrant for collection is committed to the tax collector. The Town subscribes to the semi-annual method of tax collection as provided for by RSA 76:15-a. Taxes were levied on and with payments due on and. Interest accrues at a rate of 12% on bills outstanding after the due dates and 18% on tax liens outstanding. 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 after the New Hampshire Department of Revenue Administration has 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 tax abatement and refunds, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any reserve for uncollectable 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 to these entities as required by law.

1-M 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 Statement of Net Position, deferred revenue is classified as unearned revenue.

1-N 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 separation from service, employees are paid in full for any accrued leave earned as set forth by personnel policy. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

1-O Long-Term Obligations

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

1-P Claims and Judgments

Claims and judgments are recorded as liabilities if 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.

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2012

1-Q 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 “due to/from other funds.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

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-R Equity/Fund Balance Policy/Classifications

Government-wide Statements – Equity is classified as net position and displayed in three components:

- a) ***Net investment in capital assets*** – Consists of 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. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.
- b) ***Restricted net position*** – 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 position*** – All other net assets that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Balance Policy/Classifications - In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific programs. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The classifications used in the Town’s governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form; or (b) are legally or contractually required to be maintained intact. The Town has classified prepaid items and the principal portion of permanent funds as being nonspendable.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. The Town has classified its public library, Hubbard and Davis public forest reserve, drug forfeitures, and the income portion of permanent funds as being restricted.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (Town Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. Expendable trusts, conservation commission, police commercial details, recycling special waste, and recreation funds are included in this classification.

Assigned – This classification includes amounts that are constrained by the Town’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Selectmen through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds, except for those that are restricted and the general fund. The Town also has assigned funds consisting of encumbrances in the general fund and the blended D.A.R.E fund at year-end.

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Unassigned – This classification includes the residual fund balance for the general fund.

It is the Town's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

1-S Impact of Recently Issued Accounting Principles

In December 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASBS No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This Statement is effective as of January 1, 2012.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASBS No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

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 US 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 assigned 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 unassigned fund balance to achieve that end. In the fiscal year 2012, \$390,000 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

The Town employs certain accounting principles for budgetary reporting purposes that differ from a GAAP basis. The Statement of Revenues and Expenditures-Budgetary Basis, presents the actual results to provide a comparison with the budget. The major difference between the budgetary basis and GAAP basis is as follows:

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities, but represent budgetary accounting controls. Governmental fund budgets are maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and commitments (encumbrances) for goods or services not received at year end. Encumbrances are recorded to reserve a portion of fund balance in the governmental fund types for commitments for which no liability exists.

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

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 10,318,723
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
Property taxes not collected within sixty days of fiscal year end	4,756
Interest income earned on eliminated expendable trust fund	397
Interest income earned on eliminated D.A.R.E. fund	<u>397</u>
Per Exhibit C-3 (GAAP basis)	<u>\$ 10,323,876</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 10,246,874
Adjustment:	
Basis differences:	
Encumbrances, beginning	28,629
GASB Statement No. 54:	
To record expendable trust expenditures during the year	965,581
To eliminate transfers between general and expendable trust funds	<u>(919,001)</u>
Per Exhibit C-3 (GAAP basis)	<u>\$ 10,322,083</u>

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

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, 2012, \$1,480,055 of the Town's bank balances of \$7,790,831 was exposed to custodial credit risk as uninsured and uncollateralized.

NOTE 4 – INVESTMENTS

Note 1-G, describes statutory requirements covering the investment of the Town funds. The Town maintains a portfolio of investments, consisting of Certificates of Deposits and New Hampshire Public Deposit Investment Pool deposits. As of December 31, 2012, the Town had the following investments:

Certificate of deposit	\$ 264,474
New Hampshire Public Deposit Investment Pool	<u>10,397,078</u>
	<u>\$ 10,661,552</u>

Investment reconciliation:

Investment per Statement of Net Position (Exhibit A)	\$ 6,933,367
Investment per Statement of Fiduciary Net Position (Exhibit E-1)	<u>3,728,185</u>
Total investments	<u>\$ 10,661,552</u>

NOTE 5 – 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, 2012, upon which the 2012 property tax levy was based is:

For the New Hampshire education tax	\$ 1,367,438,100
For all other taxes	\$ 1,398,325,665

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The Town subscribes to the semi-annual method of tax collection as provided for by RSA 76:15-a. Taxes were levied on May 22, 2012 and November 13, 2012, with payments due on July 6, 2012 and December 18, 2012. Interest accrues at a rate of 12% on bills outstanding after the due dates and 18% on tax liens outstanding. 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.

The tax rates and amounts assessed for the year ended December 31, 2012 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$5.07	\$ 7,096,591
School portion:		
State of New Hampshire	\$2.51	3,427,926
Local	\$8.95	12,512,258
County portion	\$1.08	1,507,920
Precinct portions:		
Center Conway Fire	\$0.85	175,134
Conway Village Fire	\$3.71	715,582
East Conway Fire	\$1.67	51,881
Fire Assessment	\$0.81	258,282
Intervale Lighting	\$0.07	4,555
Kearsarge Lighting	\$0.13	11,698
North Conway Water	\$3.09	1,776,011
Redstone Fire	\$0.68	50,804
Total		<u>\$ 27,588,642</u>

During the current fiscal year, the tax collector executed a lien on May 3, 2012 for all uncollected 2011 property taxes.

Taxes receivable at December 31, 2012, are as follows:

Property:		
Levy of 2012		\$ 1,803,258
Unredeemed (under tax lien):		
Levy of 2011		424,876
Levy of 2010		296,053
Levies of 2009 and prior		13,052
Yield		2,581
Net taxes receivable		<u>\$ 2,539,820</u>

NOTE 6 – OTHER RECEIVABLES

Receivables at December 31, 2012, consisted of accounts relating to billings for police details and ambulance services. 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.

Receivables as of December 31, 2012 for the Town's individual major fund and nonmajor funds in the aggregate including applicable allowances for uncollectible accounts are as follows:

	General Fund	Nonmajor Funds	Total
Receivables:			
Accounts	\$ 27,453	\$ 11,073	\$ 38,526
Less: allowance for uncollectible	(102)	-	(102)
Net total receivables	<u>\$ 27,351</u>	<u>\$ 11,073</u>	<u>\$ 38,424</u>

TOWN OF CONWAY, NEW HAMPSHIRE
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NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 consisted of the following:

	Balance, beginning	Additions	Disposals	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 5,579,210	\$ 142,672	\$ (2,301)	\$ 5,719,581
Being depreciated:				
Buildings and building improvements	5,375,645	73,620	-	5,449,265
Machinery, equipment, and vehicles	3,656,670	545,019	(404,023)	3,797,666
Infrastructure	12,858,312	729,304	-	13,587,616
Intangible assets	45,404	-	-	45,404
Total capital assets being depreciated	<u>21,936,031</u>	<u>1,347,943</u>	<u>(404,023)</u>	<u>22,879,951</u>
Total all capital assets	<u>27,515,241</u>	<u>1,490,615</u>	<u>(406,324)</u>	<u>28,599,532</u>
Less accumulated depreciation:				
Buildings and building improvements	(1,139,705)	(109,096)	-	(1,248,801)
Machinery, equipment, and vehicles	(1,734,629)	(211,692)	276,949	(1,669,372)
Infrastructure	(1,357,275)	(349,588)	-	(1,706,863)
Intangible assets	(19,675)	(3,027)	-	(22,702)
Total accumulated depreciation	<u>(4,251,284)</u>	<u>(673,403)</u>	<u>276,949</u>	<u>(4,647,738)</u>
Net book value, capital assets being depreciated	<u>17,684,747</u>	<u>674,540</u>	<u>(127,074)</u>	<u>18,232,213</u>
Net book value, all governmental activities capital assets	<u>\$ 23,263,957</u>	<u>\$ 817,212</u>	<u>\$ (129,375)</u>	<u>\$ 23,951,794</u>

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	\$ 56,431
Public safety	45,501
Highways and streets	480,784
Sanitation	62,428
Culture and recreation	28,259
Total depreciation expense	<u>\$ 673,403</u>

NOTE 8 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of December 31, 2012 consists of \$670 due to the general fund from the nonmajor recreation fund. The outstanding balances among funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers - The composition of interfund transfers for the year ended December 31, 2012 consists of \$45,400 transferred to the general fund from the nonmajor public library fund. During the year, transfers are used to (1) move revenues from the fund with collection authority to the fund responsible for expenditure and (2) move general fund resources to provide an annual subsidy.

NOTE 9 – ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at December 31, 2012, were as follows:

	General Fund
Salary and employee benefits	<u>\$ 127,807</u>

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NOTE 10 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments at December 31, 2012, consist of the following:

General fund:	
Balance of 2011-2012 district assessment due to the Conway School District	\$ 6,740,184
Miscellaneous Town Clerk fees due to the State of New Hampshire	2,830
Total intergovernmental payables due from the general fund	<u>\$ 6,743,014</u>

NOTE 11 – DEFERRED/UNEARNED REVENUE

Deferred/unearned revenue of \$27,967 at December 31, 2012 consists of various grants collected in advance of the eligible expenditures being made.

NOTE 12 – SHORT-TERM DEBT

Short-term debt provides financing for governmental activities. In 2012, the Town issued tax anticipation notes, in the amount of \$1,250,000. This debt was issued for interim financing of general fund operations. On December 11, 2012, the Town repaid the note plus \$1,300 in interest at a rate of .90%.

The following is a summary of changes in short-term debt for the year ended December 31, 2012:

Balance, January 1, 2012	\$ -
Additions	1,250,000
Reductions	<u>(1,250,000)</u>
Balance, December 31, 2012	<u>\$ -</u>

NOTE 13 – LONG-TERM LIABILITIES

Changes in the Town's long-term obligations consisted of the following for the year ended December 31, 2012:

	General Obligation Bond Payable	Compensated Absences Payable	Accrued Landfill Closure and Postclosure Care Costs Payable	Total
Balance, beginning	\$ 455,000	\$ 602,663	\$ 1,486,850	\$ 2,544,513
Additions	-	42,903	507,150	550,053
Reductions	<u>(80,000)</u>	-	-	<u>(80,000)</u>
Balance, ending	<u>\$ 375,000</u>	<u>\$ 645,566</u>	<u>\$ 1,994,000</u>	<u>\$ 3,014,566</u>

Long-term liabilities payable are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2012	Current Portion
General obligation bond payable:						
Library addition	\$ 1,178,250	2002	2017	3.5-4.3	<u>\$ 375,000</u>	<u>\$ 75,000</u>
Compensated absences payable:						
Vested sick and accrued vacation leave					<u>645,566</u>	<u>50,259</u>
Accrued landfill closure and postclosure care costs payable					<u>1,994,000</u>	<u>-</u>
Total					<u>\$ 3,014,566</u>	<u>\$ 125,259</u>

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The annual requirements to amortize all general obligation bond outstanding as of December 31, 2012, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2013	\$ 75,000	\$ 12,804	\$ 87,804
2014	75,000	9,804	84,804
2015	75,000	6,312	81,312
2016	75,000	3,187	78,187
2017	75,000	1,613	76,613
Totals	<u>\$ 375,000</u>	<u>\$ 33,720</u>	<u>\$ 408,720</u>

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 \$1,994,000 as of December 31, 2012, which is based on 35% usage (filled) of the landfill. It is estimated that an additional \$1,586,000 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 (2060). The estimated total current cost of the landfill closure and postclosure care (\$3,580,000) 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, 2012. 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 received 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. The balance of this capital reserve was \$1,809,901.

NOTE 14 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide Statement of Net Position at December 31, 2012 include the following:

Net investment in capital assets:	
Capital assets, net of accumulated depreciation	\$ 23,951,794
Less:	
General obligation bond payable	(375,000)
Total net investment in capital assets	<u>23,576,794</u>
Restricted for perpetual care	230,755
Unrestricted	<u>4,623,187</u>
Total net position	<u>\$ 28,430,736</u>

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NOTE 15 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2012 include the following:

Nonspendable:		
Major fund:		
General:		
Prepaid items	\$ 739	
Nonmajor fund:		
Permanent (principal portion)	<u>74,944</u>	
Total nonspendable fund balance		\$ 75,683
Restricted:		
Nonmajor funds:		
Public library	\$ 290,480	
Hubbard and Davis Public Forest Reserve	14,584	
Drug forfeiture	991	
Permanent (principal portion)	<u>155,811</u>	
Total restricted fund balance		461,866
Committed:		
Major fund:		
General:		
Expendable trust	<u>\$ 4,302,361</u>	
Nonmajor funds:		
Conservation commission	723,279	
Police commercial detail	15,268	
Recycling special waste	72,537	
Recreation	<u>48,447</u>	
Total committed fund balance		5,161,892
Assigned:		
Major fund:		
General:		
Abatement contingency	\$ 108,503	
D.A.R.E.	<u>1,493</u>	
Total assigned fund balance		109,996
Unassigned:		
General fund		<u>2,195,344</u>
Total governmental fund balances		<u><u>\$ 8,004,781</u></u>

NOTE 16 – 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.

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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. Through June 30, 2012, all employees except police officers and firefighters were required to contribute 5% of earnable compensation. Police officers and firefighters were required to contribute 9.3% of gross earnings. Effective July 1, 2012, the contribution rates changed to 7% for employees other than police officers and firefighters, 11.55% for police officers, and 11.80% for firefighters. The Town's contribution rates for 2012 for pension and medical subsidy were as follows; police officers 19.95%; firefighter, 22.89%; all other employees, 8.80%.

	Police	Firefighters	Other Employees
January 1 through June 30	14.63%	18.52%	9.16%
July 1 through July 31	25.57%	30.90%	11.09%
August 1 through December 31	19.95%	22.89%	8.80%

The contribution requirements for the Town of Conway for the fiscal years 2010, 2011, and 2012 were \$416,200, \$497,124, and \$508,742, respectively, which were paid in full in each year.

NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

In addition to pension benefits described in preceding note, the Town provides postemployment benefit options for health care and dental 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. Expenses for the postretirement health care benefits are recognized as eligible employee claims are paid.

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 No. 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 2012:

Annual required contribution/OPEB cost	\$ 371,322
Interest on net OPEB obligations	923
Adjustment to ARC	(7,874)
Annual OPEB cost (expense)	364,371
Contributions made (assumed middle of year)	(228,161)
Increase in net OPEB obligation	136,210
Net OPEB obligation, beginning	369,269
Net OPEB obligation, ending	\$ 505,479

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 was as follows:

Fiscal Year Ended	Annual Required Contribution (ARC)	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
December 31, 2009	\$ 333,309	\$ (201,839)	60.6%	\$ 131,470
December 31, 2010	\$ 344,611	\$ (225,576)	65.5%	118,035
December 31, 2011	\$ 356,653	\$ (236,889)	66.4%	119,764
December 31, 2012	\$ 364,371	\$ (228,161)	62.6%	136,210
				\$ 505,479

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As of December 31, 2011, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$1,877,943, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,877,943. The covered payroll (annual payroll of active employees covered by the plan) was \$4,152,816 during fiscal year 2012, and the ratio of the UAAL to the covered payroll was 45.22%.

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 Schedule of Funding Progress for Other Postemployment Benefits Plan, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear 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 18 – 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 2012, the Town was a member of the Local Government Center Property-Liability Trust, LLC, and Workers' Compensation Programs. This entity is considered a public entity risk pool, currently operating as common risk management and insurance programs for member Towns and cities.

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, 2012, to be recorded as an insurance expenditure totaled \$107,611. The town also paid \$75,452 for workers' compensation for the year ended December 31, 2012. There were no unpaid contributions for the year ended December 31, 2012.

NOTE 19– CONTINGENCIES

The Town participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

NOTE 20 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus and Amendments of GASB Statements No. 14 and No. 34*, issued November 2010, will be effective for the Town beginning with its fiscal year ending December 31, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity.

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GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued March 2012, will be effective for the Town beginning with its fiscal year ending December 2013. This Statement is intended to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

GASB Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*, issued March 2012, will be effective for the Town beginning with its fiscal year ending December 31, 2013.

GASB Statement No. 67, *Financial Reporting for Pension Plans*, issued in June 2012, will be effective for the Town/City beginning with its fiscal year ending December 31, 2014. The guidance contained in this statement will change how governments calculate and report the costs and obligations associated with pensions in important ways. This replaces the requirements of Statements No. 27 and 50.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued in June 2012, will be effective for the Town/City beginning with its fiscal year ending December 31, 2014. The guidance contained in this statement will change how governments calculate and report the costs and obligations associated with pensions in important ways. This replaces the requirements of Statements No. 27 and 50.

NOTE 21 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through June 19, 2013, the date the December 31, 2012 financial statements were issued, and no events occurred that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT F
TOWN OF CONWAY, NEW HAMPSHIRE
Schedule of Funding Progress for Other Postemployment Benefit Plan
For the Fiscal Year Ended December 31, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (a)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([(b-a)/c])
December 31, 2011	\$ -	\$ 1,877,943	\$ 1,877,943	0.00%	\$ 4,152,816	45.22%

The notes to the basic financial statements are an integral part of this statement.

TOWN OF CONWAY, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
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DECEMBER 31, 2012

Schedule of Funding Progress for Other Postemployment Benefits (OPEB)

As required by GASB Statement No. 45, Exhibit F represents the actuarial determined costs associated with the Town's other postemployment benefits for the fiscal year ended December 31, 2012.

COMBINING AND INDIVIDUAL FUND SCHEDULES

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, 2012

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 6,816,623	\$ 6,947,905	\$ 131,282
Land use change	50,000	52,285	2,285
Timber	36,000	42,797	6,797
Excavation	575	576	1
Payment in lieu of taxes	18,316	19,271	955
Interest and penalties on taxes	275,000	288,337	13,337
Total from taxes	<u>7,196,514</u>	<u>7,351,171</u>	<u>154,657</u>
Licenses, permits, and fees:			
Business licenses, permits, and fees	20,000	24,979	4,979
Motor vehicle permit fees	1,400,000	1,438,050	38,050
Building permits	40,000	43,932	3,932
Other	160,871	160,931	60
Total from licenses, permits, and fees	<u>1,620,871</u>	<u>1,667,892</u>	<u>47,021</u>
Intergovernmental:			
State:			
Meals and rooms distribution	450,095	450,023	(72)
Highway block grant	217,989	217,989	-
Other	240,000	221,305	(18,695)
Total from intergovernmental	<u>908,084</u>	<u>889,317</u>	<u>(18,767)</u>
Charges for services:			
Income from departments	232,500	298,355	65,855
Miscellaneous:			
Special assessments	8,200	9,416	1,216
Interest on investments	1,800	1,876	76
Fines and forfeits	-	18,768	18,768
Other	35,000	36,528	1,528
Total from miscellaneous	<u>45,000</u>	<u>66,588</u>	<u>21,588</u>
Other financing sources:			
Transfers in	45,400	45,400	-
Total revenues and other financing sources	<u>10,048,369</u>	<u>\$ 10,318,723</u>	<u>\$ 270,354</u>
Unassigned fund balance voted from surplus	390,000		
Total revenues, other financing sources, and use of fund balance	<u>\$ 10,438,369</u>		

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, 2012

	Encumbered from Prior Year	Appropriations	Expenditures	Variance Positive (Negative)
Current:				
General government:				
Executive	\$ -	\$ 227,788	\$ 228,459	\$ (671)
Election and registration	-	108,150	110,917	(2,767)
Financial administration	-	265,634	258,280	7,354
Revaluation of property	-	151,001	147,553	3,448
Legal	-	50,000	75,697	(25,697)
Personnel administration	-	850,715	774,150	76,565
Planning and zoning	-	176,892	175,089	1,803
General government buildings	-	105,436	103,543	1,893
Cemeteries	-	1	-	1
Insurance, not otherwise allocated	-	60,000	57,432	2,568
Total general government	-	1,995,617	1,931,120	64,497
Public safety:				
Police	-	3,079,997	2,982,280	97,717
Ambulance	-	154,000	154,000	-
Fire	-	261,692	262,456	(764)
Building inspection	-	73,188	73,878	(690)
Total public safety	-	3,568,877	3,472,614	96,263
Highways and streets:				
Administration	-	59,263	60,429	(1,166)
Highways and streets	-	1,894,298	1,931,752	(37,454)
Total highways and streets	-	1,953,561	1,992,181	(38,620)
Sanitation:				
Administration	-	59,263	60,425	(1,162)
Solid waste disposal	-	718,273	663,395	54,878
Total sanitation	-	777,536	723,820	53,716
Health:				
Pest control	-	3,275	3,016	259
Health agencies	-	47,565	47,565	-
Total health	-	50,840	50,581	259
Welfare:				
Administration	-	48,856	49,329	(473)
Intergovernmental welfare payments	-	60,114	60,114	-
Vendor payments	-	45,000	44,686	314
Total welfare	-	153,970	154,129	(159)
Culture and recreation:				
Parks and recreation	-	386,858	386,522	336
Library	-	469,415	468,572	843
Patriotic purposes	-	11,700	11,700	-
Total culture and recreation	-	867,973	866,794	1,179
Conservation	-	12,490	12,195	295

(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, 2012

	Encumbered from Prior Year	Appropriations	Expenditures	Variance Positive (Negative)
Debt service:				
Principal of long-term debt	-	80,000	80,000	-
Interest on long-term debt	-	16,004	16,004	-
Interest on tax anticipation notes	-	2,500	1,300	1,200
Total debt service	-	98,504	97,304	1,200
Capital outlay	28,629	40,000	55,764	12,865
Other financing uses:				
Transfers out	-	919,001	919,001	-
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 28,629</u>	<u>\$ 10,438,369</u>	<u>\$ 10,275,503</u>	<u>\$ 191,495</u>

SCHEDULE 3
TOWN OF CONWAY, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2012

Unassigned fund balance, beginning		\$ 2,093,651
Changes:		
Unassigned fund balance used to reduce 2012 tax rate		(390,000)
2012 Budget summary:		
Revenue surplus (Schedule 1)	\$ 270,354	
Unexpended balance of appropriations (Schedule 2)	191,495	
2012 Budget surplus	461,849	
Decrease in nonspendable fund balance		347
Decrease in assigned fund balance (non-encumbrances)		29,497
Unassigned fund balance, ending, budgetary basis		\$ 2,195,344

SCHEDULE 4
TOWN OF CONWAY, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2012

	Special Revenue Funds										Total
	Public Library	Hubbard and Davis Public Forest Reserve	Conservation Commission	Grants	Police Commercial Detail	Recycling Special Waste	Recreation	Drug Forfeiture	Permanent Fund		
ASSETS											
Cash and cash equivalents	\$ 26,007	\$ -	\$ 2,150	\$ 27,967	\$ 13,057	\$ 63,675	\$ 49,117	\$ 991	\$ -	\$ 182,964	
Investments	264,473	14,584	721,129	-	-	-	-	-	230,755	1,230,941	
Accounts receivable	-	-	-	-	2,211	8,862	-	-	-	11,073	
Total assets	\$ 290,480	\$ 14,584	\$ 723,279	\$ 27,967	\$ 15,268	\$ 72,537	\$ 49,117	\$ 991	\$ 230,755	\$ 1,424,978	
LIABILITIES AND FUND BALANCES											
Liabilities:											
Interfund payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 670	\$ -	\$ -	\$ 670	
Deferred revenue	-	-	-	27,967	-	-	-	-	-	27,967	
Total liabilities	-	-	-	27,967	-	-	670	-	-	28,637	
Fund balances:											
Nonspendable	-	-	-	-	-	-	-	-	74,944	74,944	
Restricted	290,480	14,584	-	-	-	-	-	991	155,811	461,866	
Committed	-	-	723,279	-	15,268	72,537	48,447	-	-	859,531	
Total fund balances	290,480	14,584	723,279	-	15,268	72,537	48,447	991	230,755	1,396,341	
Total liabilities and fund balances	\$ 290,480	\$ 14,584	\$ 723,279	\$ 27,967	\$ 15,268	\$ 72,537	\$ 49,117	\$ 991	\$ 230,755	\$ 1,424,978	

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, 2012

	Special Revenue Funds										Total	
	Public Library	Hubbard and Davis Public Forest Reserve	Conservation Commission	Grants	Police Commercial Detail	Recycling Special Waste	Recreation	Drug Forfeiture	Permanent Fund			
Revenues:												
Taxes	\$ -	\$ -	\$ 52,285	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,285
Intergovernmental	-	-	-	59,980	-	-	-	-	-	-	-	59,980
Charges for services	20,539	-	-	-	22,726	121,455	75,426	-	-	-	-	240,146
Miscellaneous	10,375	16	4,560	13	14	119	37	1,888	1,451	-	-	18,473
Total revenues	30,914	16	56,845	59,993	22,740	121,574	75,463	1,888	1,451	-	-	370,884
Expenditures:												
Current:												
General government	-	-	-	-	-	-	-	-	1,598	-	-	1,598
Public safety	-	-	-	12,786	22,831	-	-	897	-	-	-	36,514
Sanitation	-	-	-	-	-	123,292	-	-	-	-	-	123,292
Culture and recreation	5,277	-	-	4,599	-	-	63,019	-	-	-	-	72,895
Conservation	-	750	50,600	-	-	-	-	-	-	-	-	51,350
Capital outlay	-	-	-	42,608	-	-	-	-	-	-	-	42,608
Total expenditures	5,277	750	50,600	59,993	22,831	123,292	63,019	897	1,598	-	-	328,257
Excess (deficiency) of revenues over (under) expenditures	25,637	(734)	6,245	-	(91)	(1,718)	12,444	991	(147)	-	-	42,627
Other financing uses:												
Transfers out	(45,400)	-	-	-	-	-	-	-	-	-	-	(45,400)
Net change in fund balances	(19,763)	(734)	6,245	-	(91)	(1,718)	12,444	991	(147)	-	-	(2,773)
Fund balances, beginning	310,243	15,318	717,034	-	15,359	74255	36,003	-	230,902	-	-	1,399,114
Fund balances, ending	\$ 290,480	\$ 14,584	\$ 723,279	\$ -	\$ 15,268	\$ 72,537	\$ 48,447	\$ 991	\$ 230,755	\$ -	\$ -	\$ 1,396,341