

**TOWN OF CONWAY,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013**

TOWN OF CONWAY, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
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DECEMBER 31, 2013

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PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, major general fund, and the aggregate remaining fund information of the Town of Conway as of and for the year ended December 31, 2013, 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 and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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, 2013, and the respective changes in financial position and the respective budgetary comparison for the general fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Required Supplementary Information

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 them to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain

***Town of Conway
Independent Auditor's Report***

limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Emphasis of Matter – Supplementary 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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual fund financial schedules and the Schedule of Expenditures of Federal Awards 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 and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2014 on our consideration of the Town of Conway's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Conway's internal control over financial reporting and compliance.

Sheryl A. Platt, CPA

May 6, 2014

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 position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the 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 and 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 eleven 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 ten governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside of Town. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for private enterprises.

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

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

Capital assets: Capital assets activity for the year ended December 31, 2013 consisted of the following:

AT COST:	BEGINNING BALANCE	RE- STMT	ADDITIONS	DISPOSALS	ENDING BALANCE
Not being depreciated					
Land	5,719,581	-163,898	40,100		5,595,783
Being depreciated					
Building & building improvements	5,449,265		174,429	0	5,623,694
Machinery, vehicles & equipment	3,797,666		539,498	-186,300	4,150,864
Infrastructure	13,587,616		612,736	0	14,200,352
Intangible assets	45,404		0	0	45,404
Total capital assets being depreciated	22,879,951		1,326,663	-186,300	24,020,314
Total all capital assets	28,599,532	-163,898	1,366,763	-186,300	29,616,097
Less accumulated depreciation:					
Building & building improvements	-1,248,801		-112,710		-1,361,511
Machinery, vehicles & equipment	-1,669,372		-227,304	124,276	-1,772,400
Infrastructure	-1,706,863		-382,168		-2,089,031
Intangible assets	-22,702		-3,027		-25,729
Total accumulated depreciation	-4,647,738		-725,209	124,276	-5,248,671
Net book value, assets being depreciated	18,232,213		601,454	-62,024	18,771,643
Net book value, all gov't activities capital assets	23,951,794	-163,898	641,554	-62,024	24,367,426

Deeded properties held for resale were removed from Land for 2013 since they are not land in the traditional sense but are held for potential resale to return these properties to the tax rolls.

STATEMENT OF NET POSITION

	2013	2012	Increase (Decrease)
CURRENT AND OTHER ASSETS	12,976,432	14,929,572	-1,953,140
CAPITAL ASSETS, NET OF DEPRECIATION	24,367,426	23,951,794	415,632
TOTAL ASSETS	37,343,858	38,881,366	-1,537,508
LONG-TERM LIABILITIES OUTSTANDING	3,335,526	3,394,786	-59,260
OTHER LIABILITIES	6,785,849	7,055,844	-269,995
TOTAL LIABILITIES	10,121,375	10,450,630	-329,255
NET POSITION	27,222,483	28,430,736	-1,208,253
NET INVESTMENT IN CAPITAL ASSETS	23,957,444	23,576,794	380,650
RESTRICTED	229,296	230,755	-1,459
UNRESTRICTED	3,035,743	4,623,187	-1,587,444
TOTAL NET POSITION	27,222,483	28,430,736	-1,208,253

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.

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

The change in net position 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 Police Department purchased two vehicles in 2013 and hopes to purchase two each year going forward. Two new trucks, one with a dump body and sander and one with a plow and dump body, were purchased for the Highway Department. The Highway Department also purchased a municipal tractor for sidewalk maintenance which was taken over by the Town Highway Department. Previously it had been contracted out. The Selectmen decided to maintain the sidewalks on both sides of Route 16 and it made sense to bring it in house as opposed to contracting it out. It was also necessary to purchase a trailer to transport the tractor. The Solid Waste Department purchased a heavy duty plow for the Volvo loader. They also received one of the old Ford Crown Victoria's from the Police Department for use by the Transfer Station Foreman. Security cameras were purchased for the Recreation building. At the Police Station work was done on the sprinkler systems to

determine what steps need to be taken in the future. Work continued on building improvements at the Transfer Station. In addition Phase III of the Landfill was completed. At this time each phase lasts about 15 years. That would mean that a new Landfill would not be needed until approximately 2060. Recycling by Townspeople has greatly extended the life of the Landfill and money that had been put aside in a capital reserve fund for landfill expansion made it unnecessary to obtain a bond for this expansion. Ten properties in Transvale Acres were purchase using FEMA money. The Town's portion was covered by a Community Development Block Grant. These funds also covered the building demolition and clean up of these properties. Three additional properties in Transvale Acres were gifted to the Town by the owners.

TOWN OF CONWAY STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013

	Program Revenues	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Net(Expense) Revenue & Change in Net Assets
	Expenses				
Governmental activities;					
General government	2,347,728	11,986	256		-2,335,486
Public Safety	3,886,118	92,925	19,750		-3,773,443
Highway and streets	1,897,102	27,142	289,138		-1,580,822
Sanitation	2,256,440	279,219	101,881		-1,875,340
Health	49,876				-49,876
Welfare	156,493	2,150			-154,343
Culture and recreation	1,115,082	111,684	22,588	43,733	-937,077
Conservation	18,542				-18,542
Interest on long-term debt	13,601				-13,601
Capital outlay	847,709			554,689	-293,020
Total governmental activities	<u>12,588,691</u>	<u>525,106</u>	<u>433,613</u>	<u>598,422</u>	<u>-11,031,550</u>
General Revenues:					
Taxes:					
Property					7,046,707
Other					361,896
Motor vehicle fees					1,525,081
Licenses & other fees					218,598
Grants & contributions not restricted					450,913
Miscellaneous					220,102
Total general revenues					<u>9,823,297</u>
Change in net position					-1,208,253
Net position beginning					<u>28,430,736</u>
Net position ending					<u>27,222,483</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.

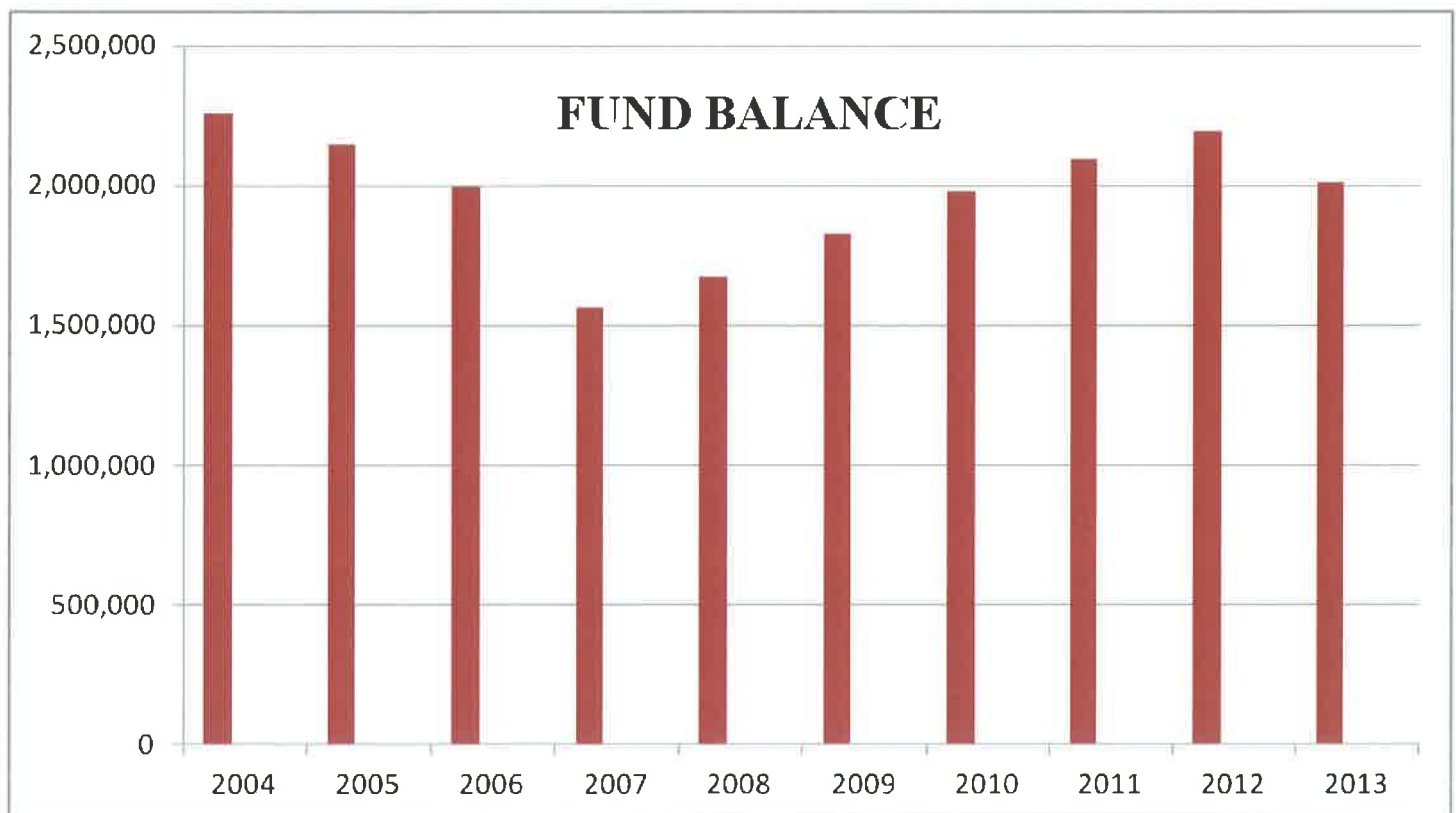
The lower section shows the categories of general revenues. Taxes and motor vehicle registrations are just that. The largest components of licenses and other fees are building permits and the cable television franchise fee. The changes in net position were described earlier.

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 2013 ended with an unassigned fund balance (non-GAAP budgetary basis) in the General Fund of \$2,013,781 the unassigned fund balance at the beginning of 2013 was \$2,195,344. For 2013 revenues in excess of estimates were \$48,691. Unexpended or unencumbered appropriations were \$43,581. For 2013 \$380,000 from fund balance was used to reduce taxes and the amount set aside for abatements was reduced by \$108,503. In addition the nonspendable fund balance was increased by \$2,338. This is the first time in several years that the unassigned fund balance has declined.

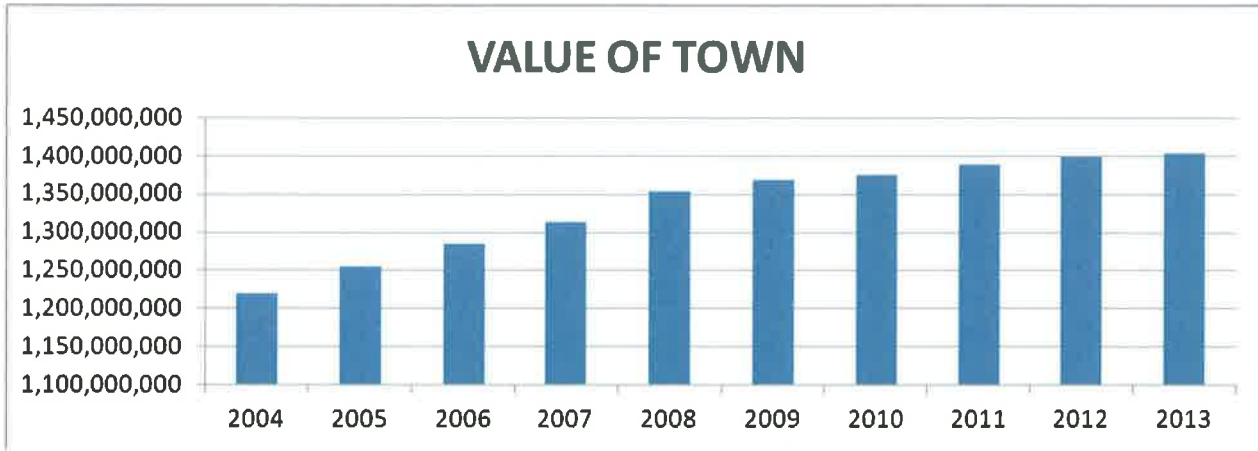
The Department of Revenue Administration and the Government Finance Officers Association recommend a retained fund balance of between 5% and 15% of the total of the town's appropriation, plus state and local education taxes, and precinct taxes. This total for 2013 was \$27,678,604. Therefore, the recommended amount to be retained is between \$1,383,930 and \$4,151,790. The Town's retained fund balance of \$2,013,781 is just over 7%.

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

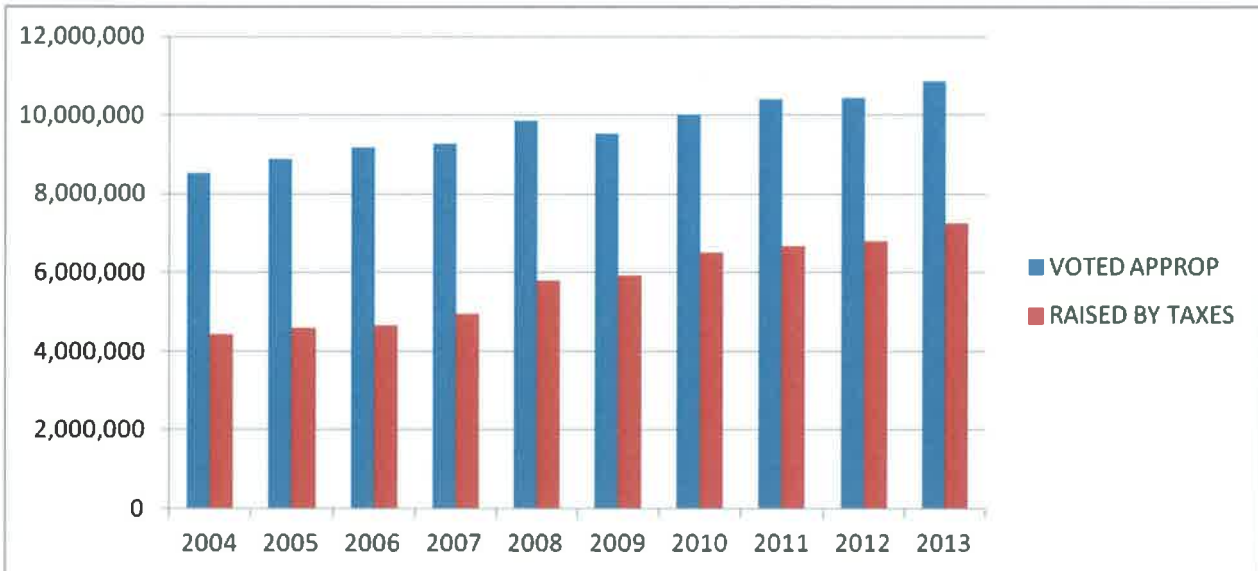


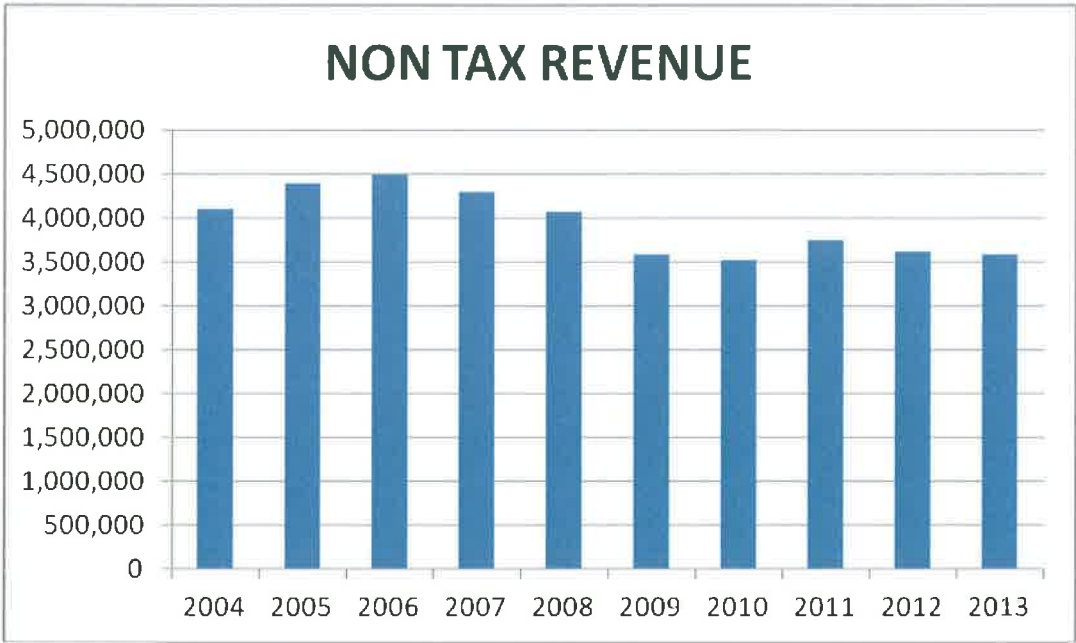
In the past 10 years the total net assessment for the Town of Conway has increased from 1,219,036,920 to 1,403,726,665 or about 15%. The increase in value to the Town has stalled as the real estate market has cooled and commercial construction has slowed and leveled off. There are a couple of project in the works that will help increase the value of the Town when they are completed.

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



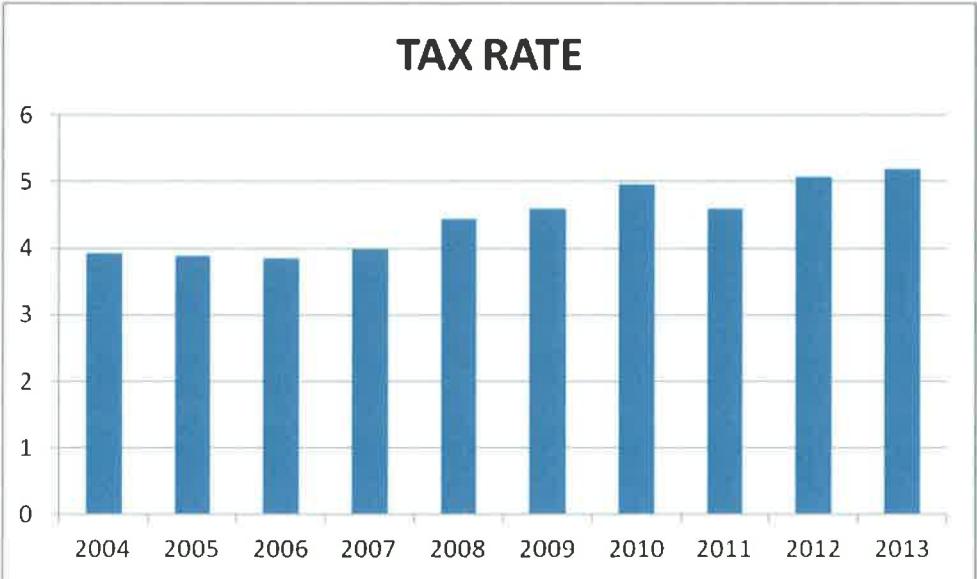
For the same period the relationship between total appropriations and the amount to be raised by taxes is shown in the chart below.





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 Town is currently looking at fees charged for services to determine if increases in fees are warranted and would help raise non tax revenues.

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	2,094,737	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 Lilli D. Gilligan, Finance Director at 603-447-3811.

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF CONWAY, NEW HAMPSHIRE
Statement of Net Position
December 31, 2013

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 4,734,444
Investments	2,614,082
Taxes receivables (net)	2,565,561
Account receivables (net)	36,380
Intergovernmental receivable	76,735
Tax deceded property, subject to resale	166,975
Restricted assets:	
Cash and cash equivalents	1,733
Investments	2,780,522
Capital assets:	
Land and construction in progress	5,595,783
Other capital assets, net of depreciation	18,771,643
Total assets	37,343,858
LIABILITIES	
Accounts payable	132,473
Accrued salaries and benefits	153,476
Contracts payable	8,099
Accrued interest payable	5,085
Intergovernmental payable	6,278,664
Unavailable revenue	60,572
Long-term liabilities:	
Due within one year	147,480
Due in more than one year	3,335,526
Total liabilities	10,121,375
NET POSITION	
Net investment in capital assets	23,957,444
Restricted for permanent funds	229,296
Unrestricted	3,035,743
Total net position	\$ 27,222,483

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, 2013

	Expenses	Program Revenues			Net (Expense) Revenue and Change In Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$ 2,347,728	\$ 11,986	\$ 256	\$ -	\$ (2,335,486)
Public safety	3,886,118	92,925	19,750	-	(3,773,443)
Highways and streets	1,897,102	27,142	289,138	-	(1,580,822)
Sanitation	2,256,440	279,219	101,881	-	(1,875,340)
Health	49,876	-	-	-	(49,876)
Welfare	156,493	2,150	-	-	(154,343)
Culture and recreation	1,115,082	111,684	22,588	43,733	(937,077)
Conservation	18,542	-	-	-	(18,542)
Interest on long-term debt	13,601	-	-	-	(13,601)
Capital outlay	847,709	-	-	554,689	(293,020)
Total governmental activities	<u>\$ 12,588,691</u>	<u>\$ 525,106</u>	<u>\$ 433,613</u>	<u>\$ 598,422</u>	<u>(11,031,550)</u>
General revenues:					
Taxes:					
Property					7,046,707
Other					361,896
Motor vehicle permit fees					1,525,081
Licenses and other fees					218,598
Grants and contributions not restricted to specific programs					450,913
Miscellaneous					220,102
Total general revenues					<u>9,823,297</u>
Change in net position					(1,208,253)
Net position, beginning, as restated (see Note 18)					28,430,736
Net position, ending					<u>\$ 27,222,483</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, 2013

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 4,436,878	\$ 297,566	\$ 4,734,444
Investments	1,362,455	1,251,627	2,614,082
Accounts receivable	30,241	6,139	36,380
Taxes	2,616,561	-	2,616,561
Due from other governments	13,695	63,040	76,735
Interfund receivable	170,584	-	170,584
Tax deeded property, subject to resale	166,975	-	166,975
Restricted assets:			
Cash and cash equivalents	1,733	-	1,733
Investments	2,780,522	-	2,780,522
Total assets	<u>\$ 11,579,644</u>	<u>\$ 1,618,372</u>	<u>\$ 13,198,016</u>
LIABILITIES			
Accounts payable	\$ 132,473	\$ -	\$ 132,473
Accrued salaries and benefits	153,476	-	153,476
Contracts payable	8,099	-	8,099
Due to other governments	6,278,664	-	6,278,664
Interfund payable	-	170,584	170,584
Unavailable revenue	38,645	21,927	60,572
Total liabilities	<u>6,611,357</u>	<u>192,511</u>	<u>6,803,868</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - Property taxes	<u>1,978,795</u>	<u>-</u>	<u>1,978,795</u>
FUND BALANCES			
Nonspendable	166,975	74,944	241,919
Restricted	240	478,732	478,972
Committed	2,718,786	872,185	3,590,971
Assigned	17,505	-	17,505
Unassigned	85,986	-	85,986
Total fund balances	<u>2,989,492</u>	<u>1,425,861</u>	<u>4,415,353</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,579,644</u>	<u>\$ 1,618,372</u>	<u>\$ 13,198,016</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 the Balance Sheet of Governemntal Funds to the Statement of Net Position
December 31, 2013

Total fund balances of governmental funds (Exhibit C-1)		\$ 4,415,353
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.		
Cost	\$ 29,616,097	
Less accumulated depreciation	<u>(5,248,671)</u>	24,367,426
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (170,584)	
Payables	<u>170,584</u>	-
Long term revenue (taxes) is not available to pay current-period expenditures and, therefore, is deferred in the governmental funds.		1,978,795
Allowance for uncollectible property taxes that is recognized on a full accrual basis, but not on the modified accrual basis.		(51,000)
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(5,085)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bond	\$ 300,000	
Capital lease	109,982	
Compensated absences	606,151	
Accrued landfill closure and postclosure costs	1,826,000	
Other postemployment benefits	<u>640,873</u>	<u>(3,483,006)</u>
Net position of governmental activities (Exhibit A)		<u>\$ 27,222,483</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, 2013

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 7,366,684	\$ 15,755	\$ 7,382,439
Licenses and permits	1,743,679	-	1,743,679
Intergovernmental	923,804	559,144	1,482,948
Charges for services	257,722	267,384	525,106
Miscellaneous	184,370	35,732	220,102
Total revenues	<u>10,476,259</u>	<u>878,015</u>	<u>11,354,274</u>
EXPENDITURES			
Current:			
General government	2,183,570	1,540	2,185,110
Public safety	3,896,586	33,315	3,929,901
Highways and streets	2,480,930	-	2,480,930
Sanitation	2,394,256	128,276	2,522,532
Health	49,876	-	49,876
Welfare	157,745	-	157,745
Culture and recreation	973,894	89,990	1,063,884
Conservation	16,542	2,000	18,542
Debt service:			
Principal	75,000	-	75,000
Interest	14,310	-	14,310
Capital outlay	290,435	557,274	847,709
Total expenditures	<u>12,533,144</u>	<u>812,395</u>	<u>13,345,539</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,056,885)</u>	<u>65,620</u>	<u>(1,991,265)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	36,100	-	36,100
Transfers out	-	(36,100)	(36,100)
Capital lease inception	139,570	-	139,570
Total other financing sources (uses)	<u>175,670</u>	<u>(36,100)</u>	<u>139,570</u>
Net change in fund balances	(1,881,215)	29,520	(1,851,695)
Fund balances, beginning, as restated (see Note 18)	4,870,707	1,396,341	6,267,048
Fund balances, ending	<u>\$ 2,989,492</u>	<u>\$ 1,425,861</u>	<u>\$ 4,415,353</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, 2013

Net change in fund balances of governmental funds (Exhibit C-3)		\$ (1,851,695)
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	\$ 1,180,463	
Depreciation expense	<u>(600,933)</u>	579,530
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (36,100)	
Transfers out	<u>36,100</u>	-
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Change in deferred tax revenue	\$ 77,164	
Change in allowance for uncollectible property taxes	<u>(51,000)</u>	26,164
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Capital lease inception	\$ (139,570)	
Repayment of bond principal	75,000	
Repayment of capital lease	<u>29,588</u>	(34,982)
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	\$ 709	
Decrease in compensated absences payable	39,415	
Decrease in accrued landfill postclosure care costs	168,000	
Increase in postemployment benefits payable	<u>(135,394)</u>	72,730
Changes in net position of governmental activities (Exhibit B)		<u><u>\$ (1,208,253)</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 Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2013

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 7,393,960	\$ 7,392,848	\$ (1,112)
Licenses and permits	1,649,571	1,743,679	94,108
Intergovernmental	886,245	923,804	37,559
Charges for services	245,300	257,722	12,422
Miscellaneous	277,000	182,714	(94,286)
Total revenues	<u>10,452,076</u>	<u>10,500,767</u>	<u>48,691</u>
EXPENDITURES			
Current:			
General government	2,127,794	2,034,917	92,877
Public safety	3,827,556	3,836,988	(9,432)
Highways and streets	1,952,712	2,016,742	(64,030)
Sanitation	804,096	748,368	55,728
Health	50,840	49,876	964
Welfare	166,257	157,745	8,512
Culture and recreation	878,596	875,372	3,224
Conservation	15,019	16,542	(1,523)
Debt service:			
Principal	75,000	75,000	-
Interest	15,304	14,310	994
Capital outlay	-	43,733	(43,733)
Total expenditures	<u>9,913,174</u>	<u>9,869,593</u>	<u>43,581</u>
Excess of revenues over expenditures	<u>538,902</u>	<u>631,174</u>	<u>92,272</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	36,100	36,100	-
Transfers out	(955,002)	(955,002)	-
Total other financing sources (uses)	<u>(918,902)</u>	<u>(918,902)</u>	<u>-</u>
Net change in fund balances	<u>\$ (380,000)</u>	<u>(287,728)</u>	<u>\$ 92,272</u>
Increase in nonspendable fund balance		(2,338)	
Decrease in assigned for abatement contingency		108,503	
Unassigned fund balance, beginning		2,195,344	
Unassigned fund balance, ending		<u>\$ 2,013,781</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, 2013

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	\$ -	\$ 55,419
Investments	155,879	3,550,719
Total assets	<u>155,879</u>	<u>3,606,138</u>
LIABILITIES		
Due to other governmental units	-	3,004,396
Due to others	-	601,742
Total liabilities	<u>-</u>	<u>3,606,138</u>
NET POSITION		
Held in trust for specific purposes	<u>\$ 155,879</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, 2013

	Private Purpose Trust
ADDITIONS	
New funds	\$ 14,390
Interest	53
Total revenue	14,443
DEDUCTIONS	
Scholarships	3,000
Change in net position	11,443
Net position, beginning	144,436
Net position, ending	\$ 155,879

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, 2013

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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 financial statements of the Town of Conway, New Hampshire (the Town), have been prepared 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 Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are supported by taxes and intergovernmental revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *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 and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The major individual governmental fund is reported as a separate column in the fund financial statements.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

1-C Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for State shared revenue, reimbursement-based grants and interest which use one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, licenses and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlement, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Town must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

The Town reports the following major governmental fund:

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.

All the governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

Additionally, the Town reports the following nonmajor governmental fund types:

Special Revenue Funds - are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Projects Funds - are used to account for the financial resources and activities relating to specific construction projects.

Permanent Fund - is used to record activity of legal trusts for which the interest on the corpus provides funds for the Town's cemetery operations.

Fiduciary Funds – The Town also 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-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."

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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 of 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 to the State of New Hampshire in value at least equal to the amount of the deposit in each case.

1-E Restricted Assets

Certain cash balances are classified as restricted assets on the balance sheet because their use is designated for a specific purpose and therefore not available for immediate and general use by the Town.

1-F 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.

1-G Receivables

Receivables recorded in the financial statements represent amounts due to the Town at December 31. They are aggregated into a single accounts and intergovernmental receivable lines for certain funds and aggregated columns. They consist primarily of taxes, billing for charges, and other user fees.

1-H 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-I 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, and expenses as the items are used.

1-J Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental column in the government-wide financial statements. 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.

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

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

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

1-K Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

1-L Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year. Billings for the year were on May 21, 2013 and November 5, 2013. Interest accrues at a rate of 12% on bills outstanding after the due date and 18% on tax liens outstanding.

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.

The Town net assessed valuation as of April 1, 2013 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 1,372,831,400
For all other taxes	\$ 1,403,726,665

The tax rates and amounts assessed for the year ended December 31, 2013 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$5.19	\$ 7,277,646
School portion:		
State of New Hampshire	\$2.52	3,464,014
Local	\$9.02	12,660,980
County portion	\$1.13	1,587,618
Precinct portions:		
Center Conway Fire	\$0.88	183,259
Conway Village Fire	\$3.14	608,341
East Conway Fire	\$1.85	57,884
Fire Assessment	\$0.85	272,045
Intervale Lighting	\$0.06	3,962
Kearsarge Lighting	\$0.13	11,716
North Conway Water	\$3.10	1,783,649
Redstone Fire	\$0.79	59,271
Total		\$ 27,970,385

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013

1-M 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.

1-N Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

1-O 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.

1-P 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-Q Net Position/Fund Balance Reporting

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 is not included in the calculation of net investment in capital assets.
- b) *Restricted net position* – Consists of net position 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 position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Balance Classifications - The fund balance of governmental funds is reported in five 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).

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013

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 tax deeded property subject to resale 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 D.A.R.E., public library, Hubbard and Davis public forest reserve, grants, drug forfeitures, and the income portion of permanent funds as being restricted because their use is restricted by Federal/State statutes for expenditures.

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 D.A.R.E. fund at year end.

Unassigned – This classification includes the residual fund balance for the general fund.

When multiple net position/fund balance classifications are available for use, it is the government's policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

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 and nonmajor capital projects 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 2013, \$380,000 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.

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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.

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

Revenues and other financing sources:	
Per Exhibit D-1 (budgetary basis)	\$ 10,536,867
Adjustment:	
Basis difference:	
Inception of capital leases	139,570
GASB Statement No. 54:	
To record miscellaneous income of the blended funds	1,656
Change in deferred tax revenue relating to 60-day revenue recognition	(77,164)
Change in allowance for uncollectible property taxes	51,000
Per Exhibit C-3 (GAAP basis)	<u>\$ 10,651,929</u>
Expenditures and other financing uses:	
Per Exhibit D-1 (budgetary basis)	\$ 10,824,595
Adjustment:	
Basis differences:	
Encumbrances, ending	(16,012)
Inception of capital leases	139,570
GASB Statement No. 54:	
To record expendable trust expenditures during the year	2,539,993
To eliminate transfers between general and expendable trust funds	(955,002)
Per Exhibit C-3 (GAAP basis)	<u>\$ 12,533,144</u>

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

At December 31, 2013, the reported amount of the Town's deposits was \$4,791,596 and the bank balance was \$5,005,855. Of the bank balance \$4,906,166 was covered by federal depository insurance or by collateral held by the Town's agent in the Town's name, and \$99,689 was uninsured and uncollateralized.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 4,736,177
Cash per Statement of Fiduciary Net Position (Exhibit E-1)	55,419
Total cash and cash equivalents	<u>\$ 4,791,596</u>

NOTE 4 – INVESTMENTS

Note 1-F, 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, 2013, the Town had the following investments and maturities:

	Fair Value	Less Than 1 Year	1-5 Years	Total
Investments type:				
Certificates of Deposit	\$ -	\$ 69,445	\$ 201,009	\$ 270,454
New Hampshire Public Deposit Investment Pool	8,830,748	-	-	8,830,748
Total fair value	<u>\$ 8,830,748</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,101,202</u>

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Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 5,394,604
Investments per Statement of Fiduciary Net Position (Exhibit E-1)	<u>3,706,598</u>
Total investments	<u><u>\$ 9,101,202</u></u>

NOTE 5 – RESTRICTED CASH AND INVESTMENTS

Cash and investments in the general fund are restricted for the following purposes:

Cash:		
D.A.R.E. fund	\$	1,733
Investments:		
Expendable trust funds		<u>2,780,522</u>
Total restricted assets	\$	<u><u>2,782,255</u></u>

NOTE 6 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2013. Taxes receivable by year are as follows:

Property:	
Levy of 2013	\$ 1,720,904
Unredeemed (under tax lien):	
Levy of 2012	577,400
Levy of 2011	272,987
Levies of 2010 and prior	16,351
Yield	4,917
Land use change	24,002
Less: allowance for estimated uncollectible taxes	<u>(51,000) *</u>
Net taxes receivable	<u><u>\$ 2,565,561</u></u>

*The allowance for uncollectible property taxes is not recognized under the modified accrual basis of accounting (Exhibit C-1 and C-3) due to the 60 day rule as explained in Note 1-C. However, the allowance is recognized under the full accrual basis of accounting (Exhibits A and B).

NOTE 7 – OTHER RECEIVABLES

Receivables at December 31, 2013, consisted of accounts (billings for police details, ambulance, and other user charges) and intergovernmental amounts arising from grants. Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

Receivables as of December 31, 2013 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	\$ 30,343	\$ 6,139	\$ 36,482
Due from other governments	<u>13,695</u>	<u>63,040</u>	<u>76,735</u>
Gross receivables	44,038	69,179	113,217
Less: allowance for uncollectibles	<u>(102)</u>	<u>-</u>	<u>(102)</u>
Net total receivables	<u><u>\$ 43,936</u></u>	<u><u>\$ 69,179</u></u>	<u><u>\$ 113,115</u></u>

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NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 consisted of the following:

	Balance, beginning (as restated)	Additions	Disposals	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 5,555,683	\$ 40,100	\$ -	\$ 5,595,783
Being depreciated:				
Buildings and building improvements	5,449,265	174,429	-	5,623,694
Machinery, equipment, and vehicles	3,797,666	539,498	(186,300)	4,150,864
Infrastructure	13,587,616	612,736	-	14,200,352
Intangible assets	45,404	-	-	45,404
Total capital assets being depreciated	22,879,951	1,326,663	(186,300)	24,020,314
Total all capital assets	28,435,634	1,366,763	(186,300)	29,616,097
Less accumulated depreciation:				
Buildings and building improvements	(1,248,801)	(112,710)	-	(1,361,511)
Machinery, equipment, and vehicles	(1,669,372)	(227,304)	124,276	(1,772,400)
Infrastructure	(1,706,863)	(382,168)	-	(2,089,031)
Intangible assets	(22,702)	(3,027)	-	(25,729)
Total accumulated depreciation	(4,647,738)	(725,209)	124,276	(5,248,671)
Net book value, capital assets being depreciated	18,232,213	601,454	(62,024)	18,771,643
Net book value, all governmental activities capital assets	\$ 23,787,896	\$ 641,554	\$ (62,024)	\$ 24,367,426

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	\$ 25,422
Public safety	43,276
Highways and streets	524,718
Sanitation	69,612
Culture and recreation	62,181
Total depreciation expense	\$ 725,209

NOTE 9 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of December 31, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor	\$ 170,584

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 transfer in the amount of \$36,100 for the year ended December 31, 2013 consists of a transfer from the nonmajor public library fund to the general fund for its share of the debt.

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NOTE 10 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments at December 31, 2013, consist of the following:

General fund:	
Balance due to the Conway School District	\$ 6,274,994
Balance due to the State of New Hampshire for miscellaneous clerk fees	<u>3,670</u>
Total intergovernmental payables due	<u><u>\$ 6,278,664</u></u>

NOTE 11 – DEFERRED INFLOW OF RESOURCES

The Town has only one type of item, which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. Deferred inflows of resources reported in the governmental funds for unavailable revenues recorded in the amount of \$1,978,795 is for property taxes that have not been collected within 60 days of the fiscal year-end.

NOTE 12 – CAPITAL LEASE

The Town has entered into a capital lease agreement under which the related equipment will become the property of the Town when all the terms of the lease agreement are met.

	Standard Interest Rate	Present Value of Remaining Payments as of December 31, 2013
Capital lease obligations:		
Trackless tractor	3.00%	<u>\$ 109,982</u>

Leased equipment under capital leases, included in capital assets, is as follows:

	Governmental Activities
Machinery, vehicles, and equipment:	
Trackless tractor	\$ 139,570
Less: accumulated depreciation	<u>9,305</u>
Total capital lease equipment	<u><u>\$ 130,265</u></u>

The annual requirements to amortize the capital lease payable as of December 31, 2013, including interest payments, are as follows:

Fiscal Year Ending December 31,	Governmental Activities
<u>2014</u>	\$ 29,588
2015	29,588
2016	29,588
2017	<u>29,588</u>
Total requirements	118,352
Less: interest	<u>8,370</u>
Present value of remaining payments	<u><u>\$ 109,982</u></u>

Amortization of lease equipment under capital assets is included with depreciation expense.

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NOTE 13 – SHORT-TERM DEBT

The Town issued and paid tax anticipation notes totaling \$1,500,000 during the year. Interest paid was \$1,506.

NOTE 14 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended December 31, 2013:

	Balance January 1, 2013	Additions	Reductions	Balance December 31, 2013	Due Within One Year
General obligation bond payable	\$ 375,000	\$ -	\$ (75,000)	\$ 300,000	\$ 75,000
Capital lease	-	139,570	(29,588)	109,982	26,289
Compensated absences	645,566	-	(39,415)	606,151	46,191
Accrued landfill closure and postclosure care costs	1,994,000	-	(168,000)	1,826,000	-
Net other postemployment benefits	505,479	135,394	-	640,873	-
Total long-term liabilities	<u>\$ 3,520,045</u>	<u>\$ 274,964</u>	<u>\$ (312,003)</u>	<u>\$ 3,483,006</u>	<u>\$ 147,480</u>

The long term bond is comprised of the following:

	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2013	Current Portion
General obligation bond payable:					
Library addition	2002	2017	3.5-4.3	<u>\$ 300,000</u>	<u>\$ 75,000</u>

The annual requirements to amortize the general obligation bond outstanding as of December 31, 2013, including interest payments, are as follows:

Fiscal Year Ending December,	Principal	Interest	Total
2014	\$ 75,000	\$ 9,804	\$ 84,804
2015	75,000	6,312	81,312
2017	75,000	3,187	78,187
2017	75,000	1,613	76,613
Totals	<u>\$ 300,000</u>	<u>\$ 20,916</u>	<u>\$ 320,916</u>

All debt is general obligation debt of the Town, which is backed by its full faith and credit, and will be repaid from general governmental revenues.

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 \$1,826,000 as of December 31, 2013, which is based on 35% usage (filled) of the landfill. It is estimated that an additional \$614,000 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 (\$2,440,000) 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, 2013. 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 \$1,810,540.

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NOTE 15 – ENCUMBRANCES

Encumbrances outstanding at December 31, 2013 are as follows:

General fund:	
General government	\$ 12,950
Culture and recreation	3,062
Total encumbrances	<u>\$ 16,012</u>

NOTE 16 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide Statement of Net Position at December 31, 2013 include the following:

Net investment in capital assets:	
Net property, buildings, and equipment	\$ 24,367,426
Less:	
General obligation bond payable	(300,000)
Capital lease payable	<u>(109,982)</u>
Total net investment in capital assets	23,957,444
Restricted net position - permanent funds	229,296
Unrestricted	<u>3,035,743</u>
Total net position	<u>\$ 27,222,483</u>

NOTE 17 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2013 include the following:

Nonspendable:

Major fund:

General:

Tax deeded property, subject to resale

	\$ 166,975
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Nonmajor fund:

Permanent - principal balance

	<u>74,944</u>
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Total nonspendable fund balance

	<u>\$ 241,919</u>
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Restricted:

Major fund:

General:

D.A.R.E.

	<u>\$ 240</u>
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Nonmajor funds:

Permanent - income balance

	154,352
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Public library

	308,787
--	---------

Hubbard and Davis public forest reserve

	14,589
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Grants

	13
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Drug forfeiture

	991
	<u>478,732</u>

Total restricted fund balance

	478,972
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(continued)

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Governmental fund balances continued:

Committed:		
Major fund:		
General:		
Expendable trust	\$ 2,718,786	
Nonmajor funds:		
Conservation commission	737,288	
Police commercial detail	16,511	
Recycling special waste	69,984	
Recreation	48,402	
	872,185	
Total committed fund balance		3,590,971
Assigned:		
Major fund:		
General:		
Encumbrances	\$ 16,012	
D.A.R.E.	1,493	
Total assigned fund balance		17,505
Unassigned:		
Major fund:		
General		
		85,986
Total governmental fund balances		\$ 4,415,353

NOTE 18 – PRIOR PERIOD ADJUSTMENTS

Net position/fund balance at January 1, 2013 was restated to give retroactive effect to the following prior period adjustments:

	Government-wide Statements	General Fund
To record tax deeded property, held for resale, previously not reported	\$ 163,898	\$ 163,898
To record prior year deferral of property taxes, not collected within 60 days of the fiscal year-end	-	(1,901,631)
To remove tax deeded property, held for resale, reported as capital assets	(163,898)	-
Net position/fund balance, as previously reported	28,430,736	6,608,440
Net position/fund balance, as restated	\$ 28,430,736	\$ 4,870,707

NOTE 19 – EMPLOYEE RETIREMENT PLAN

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

The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. For fiscal year 2013, all employees except police officers and firefighters were required to contribute 7% of earnable compensation. The contribution rates were 11.55% for police officers and 11.80% for firefighters. The Town's contribution rates for 2013 for pension and medical subsidy were as follows:

Period	Police	Fire	All Other Employees
January 1, 2013 thru June 30, 2013	19.95%	22.89%	8.80%
July 1, 2013 thru December 31, 2013	25.30%	27.74%	10.77%

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The contribution requirements for the Town of Conway for the fiscal years 2011, 2012, and 2013 were \$497,124, \$508,742, and \$609,305, respectively, which were paid in full in each year.

NOTE 20 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

In addition to pension benefits described in preceding note, the Town provides postemployment benefit options for health care 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 Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45, was implemented by the Town during fiscal year 2013, and requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported similar to pension plans. GASB Statement No. 45 does not mandate the pre-funding of postemployment benefit liabilities. However, any pre-funding of these benefits will help minimize or eliminate the postemployment benefit obligation that will be required to be reported on the financial statements.

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 2013:

Annual required contribution/OPEB cost	\$ 371,322
Interest on net OPEB obligations	1,264
Adjustment to ARC	<u>(13,825)</u>
Annual OPEB cost (expense)	358,761
Contributions made (assumed middle of year)	<u>(223,367)</u>
Increase in net OPEB obligation	135,394
Net OPEB obligation, beginning	<u>505,479</u>
Net OPEB obligation, ending	<u><u>\$ 640,873</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2013 was as follows:

Fiscal Year Ended	Annual OPEB Contribution Cost	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
December 31, 2013	\$ 358,761	\$ (223,367)	62.3%	135,394
				<u><u>\$ 640,873</u></u>

As of December 31, 2013, 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 \$4,816,939 during fiscal year 2013, and the ratio of the UAAL to the covered payroll was 38.99%.

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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 21 – 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 2013, the Town was a member of the Local Government Center Property-Liability Trust, LLC Workers' Compensation, and Property/Liability 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 June 30, 2013, to be recorded as an insurance expenditure totaled \$92,541 the town also paid \$92,305 for workers' compensation for the year ended December 31, 2013. There were no unpaid contributions for the year ended June 30, 2013.

NOTE 22 – 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 23 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

The following GASB pronouncements were implemented by the Town for the fiscal year ended December 31, 2013, which included the early implementation of GASB Statement No. 65. Only GASB Statement No. 63 and GASB Statement No. 65 impacted these financial statements:

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus and Amendments of GASB Statements No. 14 and No. 34*, issued November 2010. 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.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued July 2011. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The Statement of Net Assets is renamed the Statement of Net Position and includes four components: assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued March 2012, has an effective date of the Town beginning with its fiscal year ending June 30, 2014. 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. Because GASB Statement No. 65 is so closely related to GASB Statement No. 63, implementing both as of June 30, 2013 is recommended.

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 June 30, 2014. This Statement is intended to resolve conflicting accounting and financial report and guidance that emerged from two recent standards, Statement No. 54 and Statement No. 62. These standards conflicted with existing guidance in Statements No. 10, 13, and 48.

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. 67, *Financial Reporting for Pension Plans*, issued in June 2012, will be effective for the Town beginning with its fiscal year ending June 30, 2014. **GASB Statement No. 68, *Accounting and Financial Reporting for Pensions***, issued in June 2012, will be effective for the Town beginning with its fiscal year ending June 30, 2015. The guidance contained in these two Statements will change how governments calculate and report the costs and obligations associated with pensions in important ways. They replace 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 beginning with its fiscal year ending June 30, 2015. 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. 69, *Government Combinations and Disposals of Government Operations*, issued in January 2013, will be effective for the Town beginning with its fiscal year ending June 30, 2015. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations that have been transferred or sold.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, issued in April 2013, will be effective for the Town beginning with the fiscal year ending June 30, 2015. The objective of this statement is to improve accounting and financial reporting by governments that extend and receive nonexchange financial guarantees.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, issued November 2013, the provisions of this Statement should be applied simultaneously with the provisions of GASB Statement No. 68. The objective of this statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68 concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

NOTE 24 – 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 May 6, 2014, the date the December 31, 2013 financial statements were available to be 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, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
December 31, 2009	\$ -	\$ 1,877,943	\$ 1,877,943	0.00%	\$ 3,921,432	47.89%
December 31, 2010	\$ -	\$ 1,877,943	\$ 1,877,943	0.00%	\$ 3,959,525	47.43%
December 31, 2011	\$ -	\$ 1,877,943	\$ 1,877,943	0.00%	\$ 4,088,525	45.93%
December 31, 2012	\$ -	\$ 1,877,943	\$ 1,877,943	0.00%	\$ 4,152,916	45.22%
December 31, 2013	\$ -	\$ 1,877,943	\$ 1,877,943	0.00%	\$ 4,816,939	38.99%

The note to the required supplementary information is an integral part of this schedule.

TOWN OF CONWAY, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013

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, 2013.

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, 2013

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 7,077,673	\$ 7,046,707	\$ (30,966)
Land use change	-	15,755	15,755
Yield	20,500	24,877	4,377
Excavation	600	579	(21)
Payment in lieu of taxes	20,187	19,306	(881)
Interest and penalties on taxes	275,000	285,624	10,624
Total from taxes	7,393,960	7,392,848	(1,112)
Licenses, permits, and fees:			
Business licenses, permits, and fees	22,000	24,937	2,937
Motor vehicle permit fees	1,432,000	1,525,081	93,081
Building permits	35,000	39,430	4,430
Other	160,571	154,231	(6,340)
Total from licenses, permits, and fees	1,649,571	1,743,679	94,108
Intergovernmental:			
State:			
Meals and rooms distribution	450,913	450,913	-
Highway block grant	215,863	215,333	(530)
Other	219,469	198,530	(20,939)
Federal:			
Other	-	59,028	59,028
Total from intergovernmental	886,245	923,804	37,559
Charges for services:			
Income from departments	245,300	257,722	12,422
Miscellaneous:			
Sale of municipal property	130,000	35,608	(94,392)
Interest on investments	2,000	1,808	(192)
Fines and forfeits	6,000	5,965	(35)
Insurance dividends and reimbursements	132,675	133,550	875
Other	6,325	5,783	(542)
Total from miscellaneous	277,000	182,714	(94,286)
Other financing sources:			
Transfers in	36,100	36,100	-
Total revenues and other financing sources	10,488,176	\$ 10,536,867	\$ 48,691
Unassigned fund balance used to reduce tax rate	380,000		
Total revenues, other financing sources, and use of fund balance	\$ 10,868,176		

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, 2013

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Encumbered to Subsequent Year</u>	<u>Variance Positive (Negative)</u>
Current:				
General government:				
Executive	\$ 251,732	\$ 229,339	\$ 12,950	\$ 9,443
Election and registration	102,975	99,445	-	3,530
Financial administration	298,375	292,117	-	6,258
Revaluation of property	158,438	155,978	-	2,460
Legal	77,000	106,128	-	(29,128)
Personnel administration	891,590	828,169	-	63,421
Planning and zoning	178,711	174,007	-	4,704
General government buildings	107,472	95,906	-	11,566
Cemeteries	1	-	-	1
Insurance, not otherwise allocated	61,500	40,878	-	20,622
Total general government	<u>2,127,794</u>	<u>2,021,967</u>	<u>12,950</u>	<u>92,877</u>
Public safety:				
Police	3,316,940	3,322,619	-	(5,679)
Ambulance	157,850	162,491	-	(4,641)
Fire	277,225	276,157	-	1,068
Building inspection	75,541	75,721	-	(180)
Total public safety	<u>3,827,556</u>	<u>3,836,988</u>	<u>-</u>	<u>(9,432)</u>
Highways and streets:				
Public works garage	61,337	63,058	-	(1,721)
Highways and streets	1,891,375	1,953,684	-	(62,309)
Total highways and streets	<u>1,952,712</u>	<u>2,016,742</u>	<u>-</u>	<u>(64,030)</u>
Sanitation:				
Administration	61,337	63,053	-	(1,716)
Solid waste disposal	742,759	685,315	-	57,444
Total sanitation	<u>804,096</u>	<u>748,368</u>	<u>-</u>	<u>55,728</u>
Health:				
Administration	1,750	1,750	-	-
Pest control	1,525	561	-	964
Health agencies	47,565	47,565	-	-
Total health	<u>50,840</u>	<u>49,876</u>	<u>-</u>	<u>964</u>
Welfare:				
Administration	50,322	52,088	-	(1,766)
Intergovernmental welfare payments	65,935	65,935	-	-
Vendor payments	50,000	39,722	-	10,278
Total welfare	<u>166,257</u>	<u>157,745</u>	<u>-</u>	<u>8,512</u>
Culture and recreation:				
Parks and recreation	401,781	400,795	3,062	(2,076)
Library	465,115	459,803	-	5,312
Patriotic purposes	11,700	11,712	-	(12)
Total culture and recreation	<u>878,596</u>	<u>872,310</u>	<u>3,062</u>	<u>3,224</u>
Conservation	15,019	16,542	-	(1,523)
Debt service:				
Principal of long-term debt	75,000	75,000	-	-
Interest on long-term debt	12,804	12,804	-	-
Interest on tax anticipation notes	2,500	1,506	-	994
Total debt service	<u>90,304</u>	<u>89,310</u>	<u>-</u>	<u>994</u>

(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, 2013

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Encumbered to Subsequent Year</u>	<u>Variance Positive (Negative)</u>
Capital outlay	-	43,733	-	(43,733)
Other financing uses:				
Transfers out	955,002	955,002	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 10,868,176</u>	<u>\$ 10,808,583</u>	<u>\$ 16,012</u>	<u>\$ 43,581</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, 2013

Unassigned fund balance, beginning		\$ 2,195,344
Changes:		
Unassigned fund balance used to reduce 2013 tax rate		(380,000)
2013 Budget summary:		
Revenue surplus (Schedule 1)	\$ 48,691	
Unexpended balance of appropriations (Schedule 2)	<u>43,581</u>	
2013 Budget surplus		92,272
Increase in nonspendable fund balance		(2,338)
Decrease in assigned for abatement contingency		<u>108,503</u>
Unassigned fund balance, ending (Non-GAAP budgetary basis)		<u>2,013,781</u>
<i>Reconciliation of Non-GAAP Budgetary Basis to GAAP Basis:</i>		
To record the deferral of property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis		<u>(1,978,795)</u>
To remove the allowance for uncollectible property taxes, recognized on a budgetary basis, but not on a GAAP basis		<u>51,000</u>
Unassigned fund balance, ending, GAAP Basis (Exhibit C-1)		<u><u>\$ 85,986</u></u>

SCHEDULE 4
TOWN OF CONWAY, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2013

	Special Revenue Funds										Capital Project Fund		Total
	Public Library	Hubbard and Davis Public Forest Reserve		Conservation Commission	Grants	Police		Recycling Special Waste	Recreation	Drug Forfeiture	Transvale Acres	Permanent Fund	
		Davis Public Forest Reserve	Conservation Commission			Commercial Detail							
ASSETS													
Cash and cash equivalents	\$ 38,333	\$ -	\$ -	\$ 21,940	\$ 35,673	\$ 152,227	\$ 48,402	\$ 991	\$ -	\$ -	\$ -	\$ -	\$ 297,566
Investments	270,454	14,589	737,288	-	-	-	-	-	-	-	229,296	-	1,251,627
Receivables:													
Accounts	-	-	-	-	558	5,581	-	-	-	-	-	-	6,139
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-	-	63,040
Total assets	\$ 308,787	\$ 14,589	\$ 737,288	\$ 21,940	\$ 36,231	\$ 157,808	\$ 48,402	\$ 991	\$ -	\$ 63,040	\$ 229,296	\$ -	\$ 1,618,372
LIABILITIES AND FUND BALANCES													
Liabilities:													
Interfund payable	\$ -	\$ -	\$ -	\$ -	\$ 19,720	\$ 87,824	\$ -	\$ -	\$ -	\$ 63,040	\$ -	\$ -	\$ 170,584
Deferred revenue	-	-	-	21,927	-	-	-	-	-	-	-	-	21,927
Total liabilities	-	-	-	21,927	19,720	87,824	-	-	-	63,040	-	-	192,511
Fund balances:													
Nonspendable	-	-	-	-	-	-	-	-	-	-	74,944	-	74,944
Restricted	308,787	14,589	-	13	-	-	-	991	-	-	154,352	-	478,732
Committed	-	-	737,288	-	16,511	69,984	48,402	-	-	-	-	-	872,185
Total fund balances	308,787	14,589	737,288	13	16,511	69,984	48,402	991	-	-	229,296	-	1,425,861
Total liabilities and fund balances	\$ 308,787	\$ 14,589	\$ 737,288	\$ 21,940	\$ 36,231	\$ 157,808	\$ 48,402	\$ 991	\$ -	\$ 63,040	\$ 229,296	\$ -	\$ 1,618,372

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, 2013

	Special Revenue Funds										Capital Project Fund		Total
	Public Library	Hubbard and Davis Public Forest Reserve	Conservation Commission	Grants	Police Commercial Detail	Recycling Special Waste	Recreation	Drug Forfeiture	Transvale Acres	Permanent Fund			
Revenues:													
Taxes	\$ -	\$ -	\$ 15,755	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,755
Intergovernmental	-	-	-	91,855	-	-	-	-	467,289	-	-	-	559,144
Charges for services	32,302	-	-	-	30,090	125,610	79,382	-	-	-	-	-	267,384
Miscellaneous	26,943	5	254	8,277	13	113	46	-	-	81	-	-	35,732
Total revenues	59,245	5	16,009	100,132	30,103	125,723	79,428	-	467,289	81	-	-	878,015
Expenditures:													
Current:													
General government	-	-	-	-	-	-	-	-	-	1,540	-	-	1,540
Public safety	-	-	-	4,455	28,860	-	-	-	-	-	-	-	33,315
Sanitation	-	-	-	-	-	128,276	-	-	-	-	-	-	128,276
Culture and recreation	4,838	-	-	5,679	-	-	79,473	-	-	-	-	-	89,990
Conservation	-	-	2,000	-	-	-	-	-	-	-	-	-	2,000
Capital outlay	-	-	-	89,985	-	-	-	-	467,289	-	-	-	557,274
Total expenditures	4,838	-	2,000	100,119	28,860	128,276	79,473	-	467,289	1,540	-	-	812,395
Excess (deficiency) of revenues over (under) expenditures	54,407	5	14,009	13	1,243	(2,553)	(45)	-	-	(1,459)	-	-	65,620
Other financing uses:													
Transfers out	(36,100)	-	-	-	-	-	-	-	-	-	-	-	(36,100)
Net change in fund balances	18,307	5	14,009	13	1,243	(2,553)	(45)	-	-	(1,459)	-	-	29,520
Fund balances, beginning	290,480	14,584	723,279	-	15,268	72,537	48,447	991	-	230,755	-	-	1,396,341
Fund balances, ending	\$ 308,787	\$ 14,589	\$ 737,288	\$ 13	\$ 16,511	\$ 69,984	\$ 48,402	\$ 991	\$ -	\$ 229,296	\$ -	\$ -	\$ 1,425,861

***SINGLE AUDIT ACT SCHEDULES
AND INDEPENDENT AUDITOR'S REPORTS***



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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

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

We have audited, in accordance with the auditing standards generally accepted in the United State of America and the standards applicable to the financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, major fund, and the aggregate remaining fund information of the Town of Conway, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Town of Conway's basic financial statements, and have issued our report thereon dated May 6, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Conway's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Conway's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Conway's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Town of Conway

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sheryl A. Platt, CPA

May 6, 2014

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Conway's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Town of Conway's major federal program for the year ended December 31, 2013. The Town of Conway's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town of Conway's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Conway's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Town of Conway's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Conway complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2013-001. Our opinion on the major federal program is not modified with respect to this matter.

The Town of Conway's response to the noncompliance finding in our audit is described in the accompany Schedule of Findings and Questioned Costs. The Town of Conway's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly we express no opinion on the response.

Town of Conway

*Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control
Over Compliance in Accordance with OMB Circular A-133*

Report on Internal Control Over Compliance

Management of the Town of Conway is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Conway's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Conway's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purposes.

Sheryl A. Pratt, CPA

May 6, 2014

PLODZIK & SANDERSON
Professional Association

SCHEDULE I
TOWN OF CONWAY, NEW HAMPSHIRE
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2013

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? yes no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
97.039	Hazard Mitigation Grant

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

NONE

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Auditor Reference Number

U.S. Department of Homeland Security passed through the State of New Hampshire Department of Safety: CFDA No. 97.039 Hazard Mitigation Grant

2013-001 **Criteria:** Compliance requirements pertaining to reporting state that all required reports are to be submitted to the appropriate agency, in this case, the New Hampshire Department of Safety, by its stated deadlines. The Department requires quarterly progress reports to be submitted within 15 days of the end of the third quarter (July 1 to September 30) and 17 days for the remaining quarters.

SCHEDULE I (continued)
TOWN OF CONWAY, NEW HAMPSHIRE
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2013

Condition: While reviewing quarterly performance reports, it was noted that the second, third, and fourth quarter reports were submitted late. They were not submitted to the State until March 2014.

Cause: This was the first time the Town had received this type of grant and the Town was not fully aware of the requirements.

Effect: The Town is not in compliance with the requirements over reporting.

Recommendation: We recommend that the Town take whatever steps necessary to ensure that all reports are filed on time in the future.

Management Response: This was the first time the Town had received this type of grant and the Town was not fully aware of the requirements. We will be more aware of the requirements the next time we enter into a FEMA grant agreement.

SCHEDULE II
TOWN OF CONWAY, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through the State of New Hampshire Community Development Finance Authority			
Community Development Block Grant/State's Program:			
Rebecca Lane <i>(note 3)</i>	14.228	11-016-EGHS	\$ 87,400
Transvale Acres Flooded Homes Buyout	14.228	12-016-CDHS	116,920
<i>PROGRAM TOTAL</i>			<u>204,320</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through the State of New Hampshire Department of Transportation			
Highway Planning and Construction	20.205	11339-1	43,733
Passed Through the New Hampshire Highway Safety Agency			
HIGHWAY SAFETY CLUSTER			
State and Community Highway Safety:			
Conway "Operation Safe Commute" Patrols	20.600	315-13B-018	2,053
Conway Pedestrian/Bicycle Patrols	20.600	314-13B-010	1,383
Conway Enforcement Patrols	20.600	315-13B-190	3,713
Conway "Join the Clique" Seat Belt Campaign	20.600	304-13B-015	2,152
Alcohol Impaired Driving Countermeasures Incentive Grants I:			
Conway Sobriety Checkpoints	20.601	308-13B-098	1,801
Conway DWI/DUI Patrols	20.601	308-13B-099	4,194
<i>CLUSTER TOTAL</i>			<u>15,296</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the State of New Hampshire Department of Safety			
Hazard Mitigation Grant	97.390	FEMA-4026-DR-NH-3R	350,369
DIRECT FUNDING			
U.S. DEPARTMENT OF JUSTICE			
Edward Byrne Memorial Justice Assistant Grant Program	16.738	N/A	4,455
Total Expenditures of Federal Awards			<u>\$ 618,173</u>

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "schedule") includes the federal grant activity of the Town of Conway under programs of the federal government for the year ended December 31, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Town of Conway, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Town of Conway.

Note 2. Summary of Significant Accounting Policies

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

Note 3. Subrecipients

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

<i>CFDA Number</i>	<i>Program Name</i>	<i>Amount Provided to Subrecipients</i>
14.228	Community Development Block Grant/State's Program	\$74,531.00