

**TOWN OF CONWAY,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016**

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TABLE OF CONTENTS

	<u>PAGES</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 11
 BASIC FINANCIAL STATEMENTS 	
Government-wide Financial Statements	
A Statement of Net Position	12
B Statement of Activities	13
Fund Financial Statements	
<i>Governmental Funds</i>	
C-1 Balance Sheet	14
C-2 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	15
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balances.....	16
C-4 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
<i>Budgetary Comparison Information</i>	
D Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	18
<i>Fiduciary Funds</i>	
E-1 Statement of Net Position	19
E-2 Statement of Changes in Net Position	20
NOTES TO THE BASIC FINANCIAL STATEMENTS	21 - 41
 REQUIRED SUPPLEMENTARY INFORMATION 	
F Schedule of Funding Progress for Other Postemployment Benefit Plan	42
G Schedule of the Town's Proportionate Share of Net Pension Liability	43
H Schedule of Town Contributions	44
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION	45
 COMBINING AND INDIVIDUAL FUND SCHEDULES 	
Governmental Funds	
<i>Major General Fund</i>	
1 Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis).....	46
2 Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)	47 - 48
3 Schedule of Changes in Unassigned Fund Balance.....	49
<i>Nonmajor Governmental Funds</i>	
4 Combining Balance Sheet	50
5 Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances.....	51



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, major fund, and aggregate remaining fund information of the Town of Conway as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major fund, and aggregate remaining fund information of the Town of Conway, as of December 31, 2016, 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

As discussed in Note 1-E to the basic financial statements, effective January 1, 2016 the Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement, and Application*. As a result of the implementation of GASB Statement No. 72, the Town disclosed its investments in accordance with the fair value hierarchy. Our opinions are not modified with respect to this matter.

Town of Conway
Independent Auditor's Report

Other Matters

Required Supplementary Information - Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Funding Progress for Other Postemployment Benefit Plan, the Schedule of Town's Proportionate Share of Net Pension Liability, and the Schedule of Town Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information - Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Conway's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

June 9, 2017

Plodyk & Sanderson
Professional Association

TOWN OF CONWAY'S MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

The management discussion and analysis is intended to provide supplementary information in addition to the basic financial statements by the audit firm.

Recent GASB implementation: The Town's negative net position is due to the following: As of June 30, 2015, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires the Town to report their proportionate share of the New Hampshire Retirement System's net pension liability based upon their plan contributions for the year. The New Hampshire Retirement System has a statutory funding schedule whose goal is to reach 100% plan funding by June 30, 2039.

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, liabilities, deferred outflows of resources and deferred inflows of resources with the difference between these 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).

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 as well as DARE funds. Data from the other 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, including the capital reserve accounts for the school and the five precincts of Conway as well as 114 cemetery funds and seven scholarship funds. Fiduciary funds are overseen by the Trustees of the Trust. 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.

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 included, yet not depreciated.

Comparative Statement of Capital Assets	2016	2015	Increase (Decrease)	% Change
At cost:				
Not being depreciated:				
Land	\$ 6,937,233	\$ 6,220,783	\$ 716,450	11.52%
Construction in progress	-	31,438	(31,438)	100.00%
Total capital assets not being depreciated	<u>6,937,233</u>	<u>6,252,221</u>	<u>685,012</u>	<u>10.96%</u>
Being depreciated:				
Buildings and building improvements	6,242,704	5,793,721	448,983	7.75%
Machinery, equipment, and vehicles	4,791,452	4,453,168	338,284	7.60%
Infrastructure	17,230,365	16,191,511	1,038,854	6.42%
Total capital assets being depreciated	<u>28,264,521</u>	<u>26,438,400</u>	<u>1,826,121</u>	<u>6.91%</u>
Total all capital assets	<u>35,201,754</u>	<u>32,690,621</u>	<u>2,511,133</u>	<u>7.68%</u>
Less accumulated depreciation:				
Buildings and building improvements	(1,580,586)	(1,425,779)	(154,807)	10.86%
Machinery, equipment, and vehicles	(1,956,008)	(1,763,949)	(192,059)	10.89%
Infrastructure	(3,364,883)	(2,894,216)	(470,667)	16.26%
Total accumulated depreciation	<u>(6,901,477)</u>	<u>(6,083,944)</u>	<u>(817,533)</u>	<u>13.44%</u>
Net book value, capital assets being depreciated	<u>21,363,044</u>	<u>20,354,456</u>	<u>1,008,588</u>	<u>4.96%</u>
Net book value, all capital assets	<u>\$ 28,300,277</u>	<u>\$ 26,606,677</u>	<u>\$ 1,693,600</u>	<u>6.37%</u>

Long-term liabilities are bonds, and notes due in more than one year, currently only one long-term note is owed for the Library's expansion. 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, capital leases, as well as net pension liability.

Long-Term Liabilities			Increase	%
	2016	2015	(Decrease)	Change
Library's General Obligation Bond	\$ 75,000	\$ 150,000	\$ (75,000)	-50.00%
Capital Lease	28,726	56,616	(27,890)	-49.26%
Compensated Absences	899,837	763,186	136,651	17.91%
Net Other Postemployment Benefits	745,454	775,045	(29,591)	-3.82%
Accrued Landfill Postclosure Care	2,175,285	2,027,720	147,565	7.28%
Net Pension Liability	10,028,983	7,268,868	2,760,115	37.97%
Total	\$ 13,953,285	\$ 11,041,435	\$ 2,911,850	26.37%

Net investment in capital assets are capital assets less accumulated depreciation and the debt outstanding on these assets. The restricted net position are the trust funds for perpetual care of cemetery plots, public library, Hubbard Davis Public Forest Reserve, grant funds and drug forfeiture funds.

STATEMENT OF NET POSITION				Increase
		2016	2015	(Decrease)
CURRENT AND OTHER ASSETS		14,655,343	15,427,892	(772,549)
CAPITAL ASSETS, NET OF DEPRECIATION		28,300,277	26,606,677	1,693,600
TOTAL ASSETS		42,955,620	42,034,569	921,051
TOTAL DEFERRED OUTFLOWS OF RESOURCES		2,451,867	379,570	2,072,297
LONG-TERM LIABILITIES OUTSTANDING		13,781,515	10,860,358	2,921,157
OTHER LIABILITIES		8,021,208	8,802,305	(781,097)
TOTAL LIABILITIES		21,802,723	19,662,663	2,140,060
DEFERRED INFLOWS		386,859	647,814	(260,955)
NET POSITION		23,217,905	22,103,662	1,114,243
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT		28,196,551	26,400,061	1,796,490
RESTRICTED		537,247	534,044	3,203
UNRESTRICTED		(5,515,893)	(4,830,443)	(685,450)
TOTAL NET POSITION		23,217,905	22,103,662	1,114,243

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. Infrastructure responsibility increased in 2016 with the successful Town Meeting Warrant Article that asked voters to assume responsibility for all sidewalks in Conway Village. Our first sidewalk built in Conway Village was on Pollard Street at the same time that Pollard Street was reconstructed. The ongoing culvert replacement schedule had us replace the culvert on Davis Hill Road. Our capital reserve plan has scheduled the other culverts to be replaced in the next four years. Conway also reconstructed with all new drainage West Main Street in concert with Conway Village's water main replacement project. The smaller reconstruction projects were the replacement of the Skimobile Road bridge deck and reconstruction of VFW Street.

The Police Department purchased two vehicles. Two trucks and a mini-loader were purchased for the Highway Department. The Parks Department bought a new mower. The paving of the parking lots at the Police Department, Transfer Station and the Highway Garage was completed. The Solid Waste Department purchased a screen-all.

At this time each landfill expansion phase will last about 17 years. That would mean that a new landfill would not be needed until approximately 2068. Recycling has greatly extended the life of the landfill and money that has been put aside in a capital reserve fund for landfill expansion made it unnecessary to obtain a bond for this expansion.

Comparative Statement of Activities

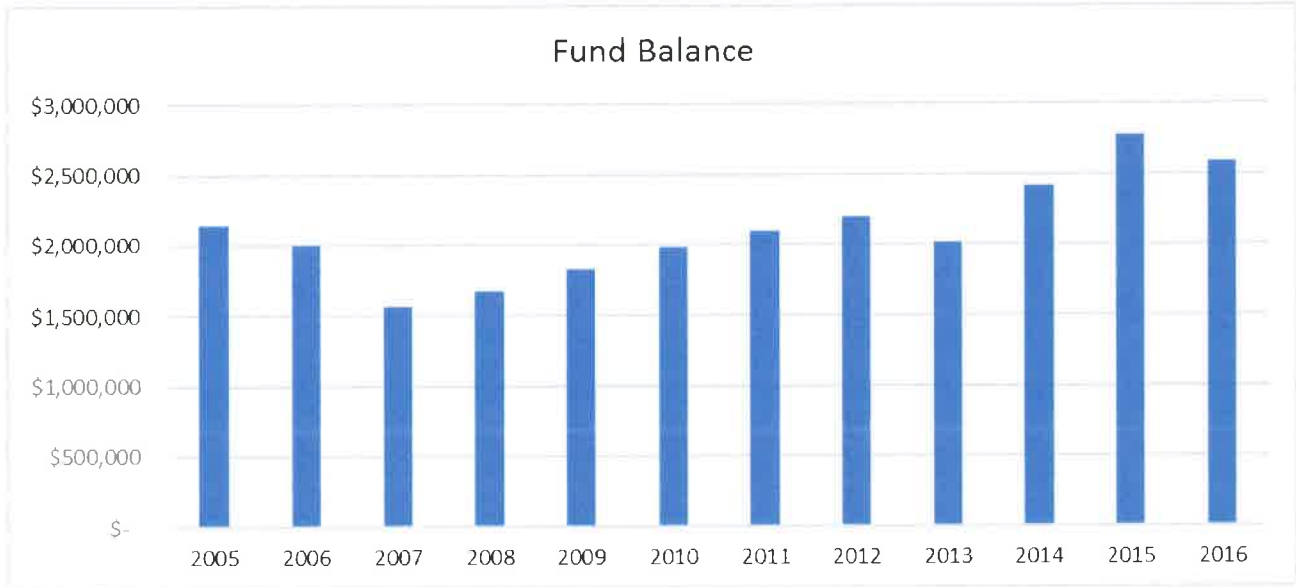
	2016	2015	Increase (Decrease)	% Change
Governmental activities:				
General Government	\$ 2,525,306	\$ 2,406,815	\$ 118,491	4.92%
Public Safety	4,575,384	4,226,001	349,383	8.27%
Airport	9,999	10,000	(1)	-0.01%
Highways & Streets	2,727,027	2,922,459	(195,432)	-6.69%
Water distribution and treatment	-	17,409	(17,409)	100.00%
Sanitation	1,107,555	912,431	195,124	21.39%
Health	3,024	2,456	568	23.13%
Welfare	238,143	164,171	73,972	45.06%
Culture & Recreation	1,083,838	1,090,945	(7,107)	-0.65%
Conservation	25,911	23,482	2,429	10.34%
Interest on Long-term Debt	1,901	5,626	(3,725)	-66.21%
Total Governmental Activities	12,298,088	11,781,795	516,293	4.38%
Program Revenues:				
Charges for Services	\$ 612,826	\$ 632,509	\$ (19,683)	-3.11%
Operating Grants & Contributions	437,187	867,978	(430,791)	-49.63%
General Revenues:				
Property Taxes and Other Taxes	8,572,915	8,485,358	87,557	1.03%
Motor Vehicle Permit Fees	1,805,046	1,729,108	75,938	4.39%
Licenses & Other Fees	376,379	273,285	103,094	37.72%
Grants & Contributions not related to specific programs	633,317	627,512	5,805	0.93%
Miscellaneous	118,788	291,599	(172,811)	-59.26%
Total Revenues	12,556,458	12,907,349	\$ (350,891)	-2.72%
Beginning Net Position, as restated	22,959,535	21,833,981		
Ending Net Position	23,217,905	22,959,535		
Change in Net Position	\$ 258,370	\$ 1,125,554		

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 budget's revenues. 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 year 2016 ended with an unassigned fund balance (non-GAPP budgetary basis) in the General Fund of \$2,583,101. The unassigned fund balance at the beginning of 2016 was \$2,773,705. For 2016 revenues exceeded estimates by \$151,478. Unexpended or unencumbered appropriations were \$387,816. For 2016, \$475,000 from fund balance was used to reduce taxes and \$250,000 from fund balance was used to support the Capital Reserve Fund for Infrastructure warrant article.

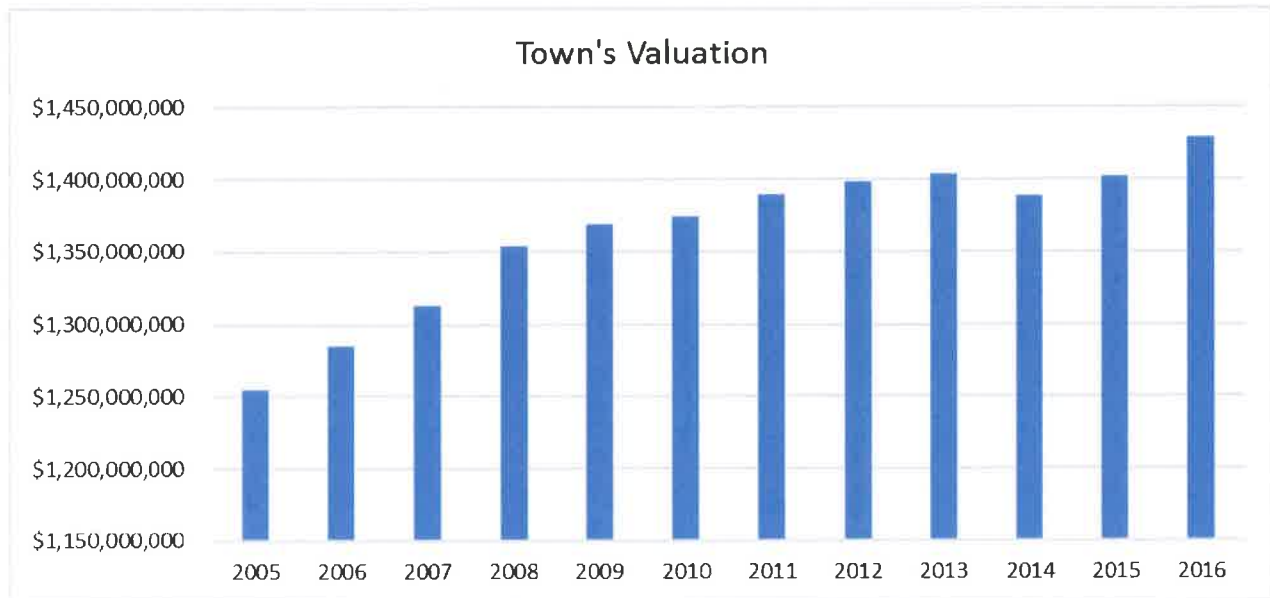
The Department of Revenue Administration and the Government Finance Officers Association recommend a retained fund balance of between 5% and 17% of the total of the town's appropriation, plus state and local education taxes, county taxes and precinct taxes. This total for 2016 was \$32,011,682. Therefore, the recommended amount to be retained is between \$1,600,584 and \$5,441,986. The Town's retained fund balance of \$2,583,101 is 8%.

The following chart shows the change in unrestricted fund balance over the past 12 years.

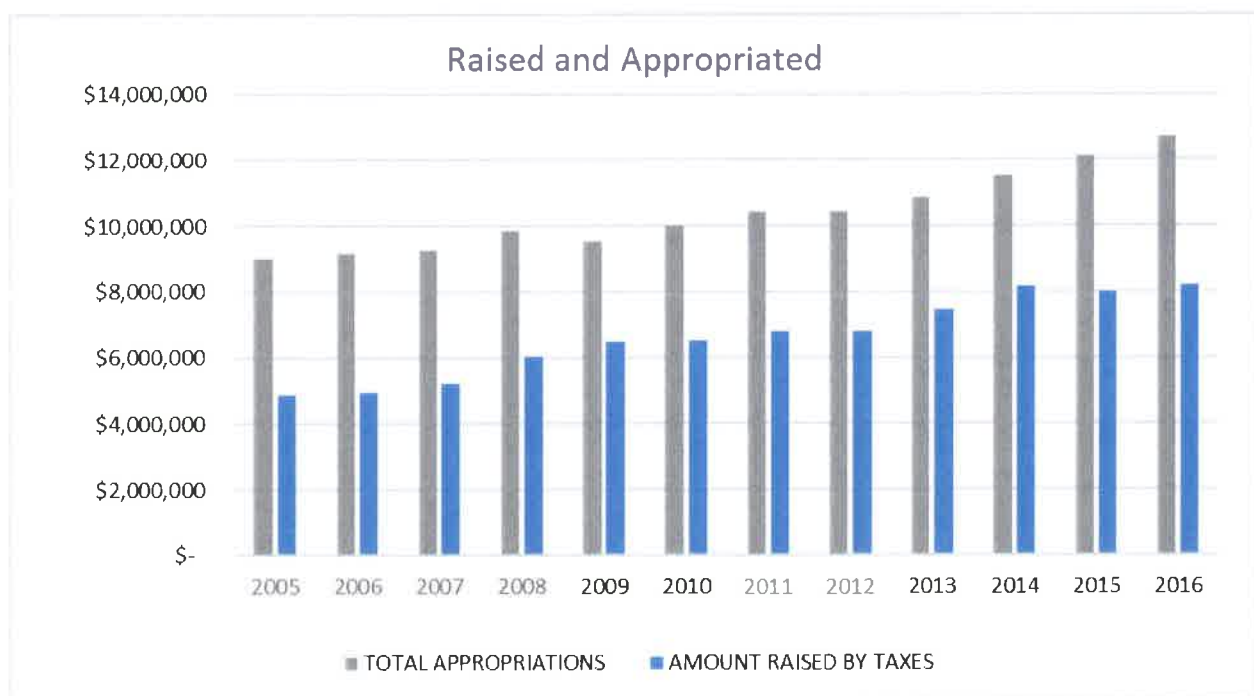


In the past 12 years the total net assessed value of the Town of Conway has increased 13.9% from \$1,255,015,320 to \$1,429,524,843. The increase in value of the Town has an impact on stabilizing the tax rate each year.

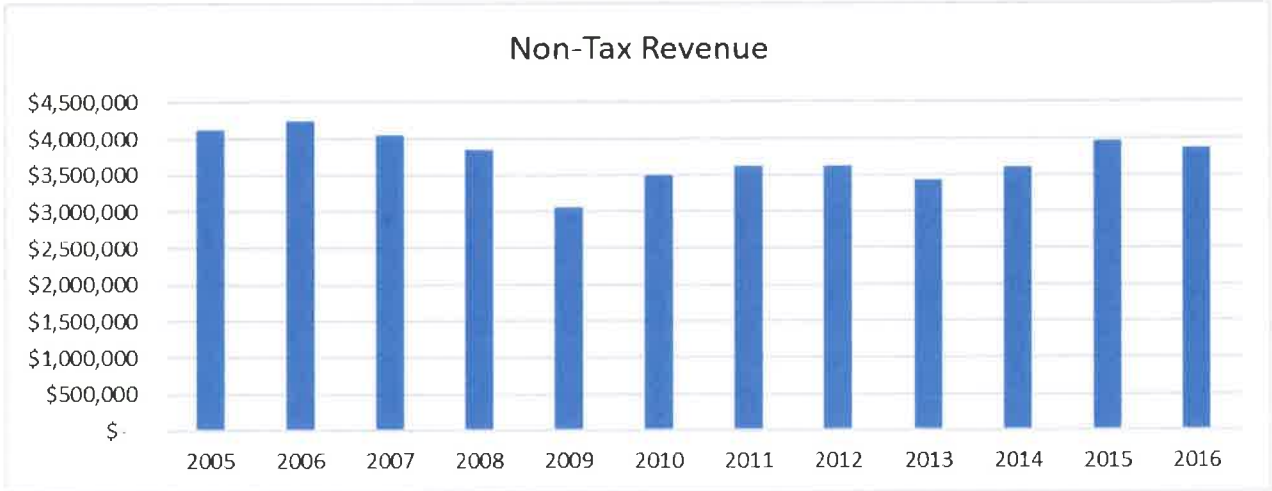
The 12 year increase in value is shown in the chart below.



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, started declining in 2007 and dropped off sharply in 2009. The sharp decline has leveled off, but it has still not returned to the level of a dozen years ago. In fact 2016 received 6% less than 2005. In 2016, motor vehicle excise taxes collected increased by over \$76,000, the HeathTrust did not return any surplus - an \$85,000 drop over the prior year, building permit fees collected increased by over \$92,000, and lastly there was a decrease by over \$91,000 in Town-owned property sold. The end result was a 2% decrease from last year's revenues.



The following chart shows the Municipal tax rate for the same 12-year period. 2016 was the third year in a row at a \$5.72 municipal tax rate.



	2011	2012	2013	2014	2015	2016
OPERATING BUDGET	8,736,921	8,893,132	9,415,750	9,912,001	10,010,111	10,176,162
WARRANT ARTICLES	1,238,083	1,106,367	993,002	1,104,407	1,621,000	2,019,187
NON PROFITS	177,326	182,679	188,500	201,615	173,307	204,281
TOTAL APPROPRIATIONS	10,414,392	10,438,369	10,868,177	11,495,569	11,804,418	12,399,630
AMOUNT RAISED BY TAXES	6,796,272	6,816,623	7,438,796	7,899,473	7,397,674	8,178,142
USE of Fund Balance	350,000	390,000	270,924	350,000	450,000	725,000
NON TAX REVENUES	3,618,120	3,621,746	3,429,381	3,596,096	3,956,744	3,868,427
MUNICIPAL TAX RATE	4.59	5.07	5.19	5.72	5.72	5.72
PERCENT RAISED BY TAXES	65%	65%	68%	69%	63%	66%
VALUE FOR MUNICIPAL RATE	1,389,429,265	1,398,325,665	1,403,726,665	1,388,549,357	1,402,162,830	1,429,524,843
UNASSIGNED FUND BALANCE	2,094,737	2,195,344	2,013,781	2,414,706	2,773,705	2,542,050

Anyone wishing more information may contact Lilli D. Gilligan, Finance Director, at 447-3811.

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF CONWAY, NEW HAMPSHIRE
Statement of Net Position
December 31, 2016

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 11,741,808
Investments	457,850
Taxes receivable (net)	2,372,329
Accounts receivable (net)	10,833
Tax deeded property, subject to resale	72,523
Capital assets:	
Land and construction in progress	6,937,233
Other capital assets, net of depreciation	21,363,044
Total assets	42,955,620
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	2,451,867
LIABILITIES	
Accounts payable	126,391
Accrued salaries and benefits	220,104
Accrued interest payable	1,318
Intergovernmental payable	7,501,625
Long-term liabilities:	
Due within one year	171,770
Due in more than one year	13,781,515
Total liabilities	21,802,723
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - Property taxes	37,542
Unavailable revenue - Advanced grant funding	20,058
Amounts related to pensions	329,259
Total deferred inflows of resources	386,859
NET POSITION	
Net investment in capital assets	28,196,551
Restricted	537,247
Unrestricted	(5,515,893)
Total net position	\$ 23,217,905

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, 2016

	Expenses	Program Revenues		Net (Expense) Revenue and Change In Net Position
		Charges for Services	Operating Grants and Contributions	
General government	\$ 2,525,306	\$ 34,728	\$ 57,818	\$ (2,432,760)
Public safety	4,575,384	93,799	-	(4,481,585)
Airport	9,999	-	-	(9,999)
Highways and streets	2,727,027	58,477	253,595	(2,414,955)
Sanitation	1,107,555	302,197	125,774	(679,584)
Health	3,024	-	-	(3,024)
Welfare	238,143	1,046	-	(237,097)
Culture and recreation	1,083,838	122,579	-	(961,259)
Conservation	25,911	-	-	(25,911)
Interest on long-term debt	1,901	-	-	(1,901)
Total governmental activities	<u>\$ 12,298,088</u>	<u>\$ 612,826</u>	<u>\$ 437,187</u>	<u>(11,248,075)</u>
General revenues:				
Taxes:				
Property				8,227,939
Other				344,976
Motor vehicle permit fees				1,805,046
Licenses and other fees				376,379
Grants and contributions not restricted to specific programs				633,317
Miscellaneous				118,788
Total general revenues				<u>11,506,445</u>
Change in net position				258,370
Net position, beginning, as restated (see Note 17)				22,959,535
Net position, ending				<u>\$ 23,217,905</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, 2016

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 11,230,776	\$ 511,032	\$ 11,741,808
Investments	50	457,800	457,850
Accounts receivable (net)	10,833	-	10,833
Taxes receivable	2,387,329	-	2,387,329
Interfund receivable	16,263	-	16,263
Tax dedeed property, subject to resale	72,523	-	72,523
Total assets	<u>\$ 13,717,774</u>	<u>\$ 968,832</u>	<u>\$ 14,686,606</u>
LIABILITIES			
Accounts payable	\$ 126,391	\$ -	\$ 126,391
Accrued salaries and benefits	220,104	-	220,104
Intergovernmental payable	7,501,625	-	7,501,625
Interfund payable	-	16,263	16,263
Total liabilities	<u>7,848,120</u>	<u>16,263</u>	<u>7,864,383</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - Property taxes	532,466	-	532,466
Unavailable revenue - Advanced grant funding	-	20,058	20,058
Total deferred inflows of resources	<u>532,466</u>	<u>20,058</u>	<u>552,524</u>
FUND BALANCES (DEFICIT)			
Nonspendable	72,523	74,944	147,467
Restricted	-	462,303	462,303
Committed	3,140,957	403,287	3,544,244
Assigned	20,531	-	20,531
Unassigned (deficit)	2,103,177	(8,023)	2,095,154
Total fund balances	<u>5,337,188</u>	<u>932,511</u>	<u>6,269,699</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 13,717,774</u>	<u>\$ 968,832</u>	<u>\$ 14,686,606</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 Governmental Funds to the Statement of Net Position
December 31, 2016

Total fund balances of governmental funds (Exhibit C-1)		\$ 6,269,699
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	\$ 35,201,754	
Less accumulated depreciation	<u>(6,901,477)</u>	28,300,277
Certain resources are not current financial resources in the governmental funds, but instead are reported in the Statement of Net Position.		
Deferred outflows of resources related to pensions	\$ 2,451,867	
Deferred inflows of resources related to pensions	<u>(329,259)</u>	2,122,608
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (16,263)	
Payables	<u>16,263</u>	-
Property taxes are recognized on an accrual basis in the Statement of Net Position and on a modified accrual basis in the governmental funds.		
Deferred inflows of resources - property taxes	\$ 494,924	
Allowance for uncollectible property taxes	<u>(15,000)</u>	479,924
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(1,318)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bond	\$ 75,000	
Capital lease	28,726	
Compensated absences	899,837	
Other postemployment benefits	745,454	
Accrued landfill closure and postclosure care costs	2,175,285	
Net pension liability	<u>10,028,983</u>	(13,953,285)
Net position of governmental activities (Exhibit A)		<u>\$ 23,217,905</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, 2016

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 8,568,319	\$ 8,100	\$ 8,576,419
Licenses and permits	2,181,425	-	2,181,425
Intergovernmental	1,012,686	57,818	1,070,504
Charges for services	312,553	300,273	612,826
Miscellaneous	56,667	62,121	118,788
Total revenues	<u>12,131,650</u>	<u>428,312</u>	<u>12,559,962</u>
EXPENDITURES			
Current:			
General government	2,421,090	3,440	2,424,530
Public safety	4,237,657	22,548	4,260,205
Airport	9,999	-	9,999
Highways and streets	2,219,036	-	2,219,036
Sanitation	791,970	132,931	924,901
Health	3,024	-	3,024
Welfare	236,553	-	236,553
Culture and recreation	1,148,907	127,539	1,276,446
Conservation	10,730	15,181	25,911
Debt service:			
Principal	75,000	-	75,000
Interest	3,188	-	3,188
Capital outlay	1,059,748	65,841	1,125,589
Total expenditures	<u>12,216,902</u>	<u>367,480</u>	<u>12,584,382</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(85,252)</u>	<u>60,832</u>	<u>(24,420)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	20,450	-	20,450
Transfers out	-	(20,450)	(20,450)
Total other financing sources (uses)	<u>20,450</u>	<u>(20,450)</u>	<u>-</u>
Net change in fund balances	(64,802)	40,382	(24,420)
Fund balances, beginning	5,401,990	892,129	6,294,119
Fund balances, ending	<u>\$ 5,337,188</u>	<u>\$ 932,511</u>	<u>\$ 6,269,699</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, 2016

Net change in fund balances of governmental funds (Exhibit C-3)		\$ (24,420)
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	\$ 1,760,280	
Depreciation expense	<u>(798,296)</u>	961,984
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		(124,257)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (20,450)	
Transfers out	<u>20,450</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 inflows of resources relating to tax revenue	\$ (36,504)	
Change in allowance for uncollectible property taxes	<u>33,000</u>	(3,504)
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.		
Repayment of bond principal	\$ 75,000	
Repayment of capital lease	<u>27,890</u>	102,890
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 1,287	
Increase in compensated absences payable	(136,651)	
Decrease in other postemployment benefits payable	29,591	
Increase in accrued landfill closure and postclosure care costs	(147,565)	
Changes in items relating to GASB Statement No. 68	<u>(400,985)</u>	(654,323)
Changes in net position of governmental activities (Exhibit B)		<u>\$ 258,370</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, 2016

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 8,532,547	\$ 8,532,547	\$ 8,564,815	\$ 32,268
Licenses and permits	2,125,800	2,125,800	2,181,425	55,625
Intergovernmental	1,018,588	1,018,588	1,012,686	(5,902)
Charges for services	244,200	244,200	312,553	68,353
Miscellaneous	48,003	48,003	49,137	1,134
Total revenues	<u>11,969,138</u>	<u>11,969,138</u>	<u>12,120,616</u>	<u>151,478</u>
EXPENDITURES				
Current:				
General government	2,230,770	2,230,770	2,146,009	84,761
Public safety	4,296,365	4,296,364	4,176,617	119,747
Airport	9,999	9,999	9,999	-
Highways and streets	2,128,007	2,128,008	2,009,723	118,285
Sanitation	812,873	812,873	761,970	50,903
Health	3,450	3,450	3,024	426
Welfare	230,923	230,923	236,553	(5,630)
Culture and recreation	1,178,802	1,178,802	1,130,753	48,049
Conservation	8,511	8,511	10,730	(2,219)
Debt service:				
Principal	75,000	75,000	75,000	-
Interest	4,688	4,688	3,188	1,500
Capital outlay	47,200	47,200	75,206	(28,006)
Total expenditures	<u>11,026,588</u>	<u>11,026,588</u>	<u>10,638,772</u>	<u>387,816</u>
Excess of revenues over expenditures	<u>942,550</u>	<u>942,550</u>	<u>1,481,844</u>	<u>539,294</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	20,450	20,450	20,450	-
Transfers out	(1,688,000)	(1,688,000)	(1,688,000)	-
Total other financing sources (uses)	<u>(1,667,550)</u>	<u>(1,667,550)</u>	<u>(1,667,550)</u>	<u>-</u>
Net change in fund balances	<u>\$ (725,000)</u>	<u>\$ (725,000)</u>	(185,706)	<u>\$ 539,294</u>
Decrease in nonspendable fund balance			10,781	
Increase in assigned for abatement contingency			(15,679)	
Unassigned fund balance, beginning			<u>2,773,705</u>	
Unassigned fund balance, ending			<u>\$ 2,583,101</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 Net Position
December 31, 2016

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	\$ 168,432	\$ 5,334,753
Investments	-	543,048
Total assets	<u>168,432</u>	<u>5,877,801</u>
LIABILITIES		
Intergovernmental payable	-	4,331,221
Due to others	-	1,546,580
Total liabilities	<u>-</u>	<u>5,877,801</u>
NET POSITION		
Held in trust for specific purposes	<u>\$ 168,432</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 Net Position
For the Fiscal Year Ended December 31, 2016

	Private Purpose Trust
ADDITIONS	
New funds	\$ 12,265
Interest	402
Total revenue	12,667
DEDUCTIONS	
Scholarships	5,500
Change in net position	7,167
Net position, beginning	161,265
Net position, ending	\$ 168,432

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, 2016

	<u>NOTE</u>
Summary of Significant Accounting Policies	1
Reporting Entity	1-A
Government-wide and Fund Financial Statements	1-B
Measurement Focus, Basis of Accounting, and Financial Statement Presentation	1-C
Cash and Cash Equivalents	1-D
Investments	1-E
Receivables	1-F
Capital Assets	1-G
Interfund Activities	1-H
Property Taxes	1-I
Accounts Payable	1-J
Deferred Outflows/Inflows of Resources	1-K
Long-term Obligations	1-L
Compensated Absences	1-M
Defined Benefit Pension Plan	1-N
Net Position/Fund Balances	1-O
Use of Estimates	1-P
 Stewardship, Compliance, and Accountability	 2
Budgetary Information	2-A
Budgetary Reconciliation to GAAP Basis	2-B
Deficit Fund Balance	2-C

DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents	3
Investments	4
Taxes Receivable	5
Other Receivables	6
Capital Assets	7
Interfund Balances and Transfers	8
Intergovernmental Payables	9
Deferred Outflows/Inflows of Resources	10
Capital Lease	11
Long-term Liabilities	12
Defined Benefit Pension Plan	13
Other Postemployment Benefits (OPEB)	14
Governmental Activities Net Position	15
Governmental Fund Balances	16
Prior Period Adjustment	17
Risk Management	18
Contingent Liabilities	19
Subsequent Events	20

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

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.

In 2016 the Town implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a government should apply.

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 and Town Manager. In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The Town has no component units to include in its reporting entity.

1-B Government-wide and Fund Financial Statements

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the primary government. Generally, the effect of interfund activity has been eliminated from these statements. Governmental activities normally are supported through taxes and intergovernmental revenues.

The *Statement of Net Position* presents the financial position of the Town at year-end. This statement includes all of the Town's non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function are 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 requirements of a particular function. Taxes and other items not meeting the definition of program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenue rather than program revenue.

Fund Financial Statements - Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

In the governmental fund financial statements, expenditures are reported by character: current, debt service or capital outlay. Current expenditures are subclassified by function and are for items such as salaries, grants, supplies, and services. Debt service includes both interest and principal outlays related to bonds. Capital outlay includes expenditures for equipment, real property, or infrastructure.

Other Financing Sources (Uses) – these additions to and reductions from resources in governmental fund financial statements normally result from transfers from/to other funds. Transfers are reported when incurred as “transfers in” by the receiving fund and as “transfers out” by the disbursing fund.

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

Measurement Focus and Basis of Accounting - 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.

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

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 Town generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Financial Statement Presentation - A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to report financial position and the results of operations, to demonstrate legal compliance, and to aid financial management by segregating transactions related to certain government functions or activities.

The Town reports the following major governmental fund:

General Fund – is the Town’s primary operating fund. The general fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources include property taxes, State grants and motor vehicle permit fees. The primary expenditures are for general government, public safety, highways and streets, sanitation, culture and recreation, debt service and capital outlay. Under GASB Statement No. 54 guidance the DARE and expendable trust funds are consolidated in the general fund.

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 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 (Local Public Agency Project Fund) – The Town of Conway was designated the *Local Public Agency* in charge of managing all aspects of the reconstruction of Route 16/Route 113 in Conway, running approximately from the railroad tracks near the Kancamagus Highway to Pollard Street. The water lines underneath are to be replaced, the underground utilities are to be relocated, new drainage will be installed, the sidewalks and curbing are to be reconstructed, the roadway is to be reengineered and reconstructed, and both sets of lights are to be replaced. The project was given a notice to proceed on January 26, 2016. It is expected to last through the 2019 construction season. It is expected to cost at least \$3,429,972. All of the costs of the project are to be paid by the Town of Conway under the Federal Highway guidelines with the NH DOT reimbursing Conway monthly. In 2016, the only work performed was engineering related. Both the Public Works Director and the Finance Director are required to be *Local Public Agency Certified*.

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 Fund – are used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments.

Agency Fund – are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets held on behalf of outside parties, including other governments.

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.

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

Deposits with financial institutions consist primarily of demand deposits and savings accounts. A cash pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and cash equivalents."

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383:22. Funds may be deposited in banks outside 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 Investments

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

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

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

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

Investments are reported at fair value. The Town discloses the fair value of its investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy is as follow:

Level 1 – Inputs that reflect quoted prices (unadjusted) in active markets for identical assets and liabilities that the Town has the ability to access at the measurement date. Most of the Town's directly held marketable equity securities would be examples of Level 1 investments.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active. Because they most often are priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held fixed income securities are categorized in Level 2. All of the Town's holdings in U.S. government obligations and corporate bonds would be examples of Level 2 investments.

Level 3 – Unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative financial instruments.

In determining fair value, the Town utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

1-F Receivables

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

1-G Capital Assets

Capital assets are defined by the Town as assets with an initial individual cost of \$5,000 or more and an estimated life in excess of one year. Capital assets include property, plant, and equipment, infrastructure assets (e.g. roads, bridges, sidewalks, drainage, and similar items) and are reported in the governmental activities.

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund's measurement focus. General capital assets are assets of the Town as a whole. When purchased, such assets are recorded as expenditures in a governmental fund and capitalized as assets in the governmental activities column of the government-wide statement of net position. When cost of general capital assets cannot be determined from available records, estimated historical cost is used.

Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend lives are not capitalized.

In the government-wide financial statements, the cost of property sold or retired, together with the related accumulated depreciation, is removed and any resulting gain or loss is included in income.

Capital assets of the Town are depreciated or amortized using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Capital Asset Classes:	
Buildings and building improvements	30-120
Machinery, equipment, and vehicle	15-20
Infrastructure	30-75
Intangible assets	15

1-H 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-I Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year. Warrants for the year were issued on May 25, 2016 and November 11, 2016, and due on July 6, 2016 and December 5, 2016. 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 as listed out below, and Carroll County, which are remitted to these entities as required by law.

The Town net assessed valuation as of April 1, 2016 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 1,376,701,743
For all other taxes	\$ 1,429,524,813

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

The tax rates and amounts assessed for the year ended December 31, 2016 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$5.72	\$ 8,178,142
School portion:		
State of New Hampshire	\$2.44	3,365,331
Local	\$9.67	13,822,646
County portion	\$1.48	2,109,117
Precinct portions:		
Center Conway Fire	\$0.82	182,872
Conway Village Fire	\$4.13	816,784
East Conway Fire	\$1.81	57,818
Fire Assessment	\$0.98	315,332
Kearsarge Lighting	\$0.20	17,924
North Conway Water	\$2.80	1,622,865
Redstone Fire	\$0.74	55,823
Total		\$ 30,544,654

1-J Accounts Payable

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of December 31, 2016.

1-K Deferred Outflows/Inflows of Resources

Deferred outflows of resources, a separate financial statement element, represents a consumption of net position or fund balance that applies to a future period(s) and thus will not be recognized as an outflow of resources (expenses) until then.

Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

1-L Long-term Obligations

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

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 Defined Benefit Pension Plan

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* and GASB Statement No. 82 *Pension Issues – an amendment of GASB Statement No. 67, No. 68 and No.73* requires participating employers to recognize their proportionate share of collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, and schedules have been prepared to provide employers with their calculated proportionate share of these amounts. The collective amounts have been allocated based on employer contributions during the respective fiscal years. Contributions from employers are recognized when legally due, based on statutory requirements.

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

The schedules are prepared by New Hampshire Retirement System, and are audited by the plan's independent auditors.

1-O Net Position/Fund Balances

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 or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.
- b) *Restricted net position* – Consists of net 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 – GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides more clearly defined fund balance categories to make sure the nature and extend of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items, inventory or tax deeded property subject to resale); or (b) are legally or contractually required to be maintained intact.

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.

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.

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.

Unassigned – This classification includes the amounts that are available for any purpose. Positive amounts are reported only in the general fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by an offsetting of assigned fund balance amounts.

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.

The Board will maintain an appropriate level of unassigned fund balance following the guidelines established by the NH Government Finance Officers Association (GFOA), which are as follows:

- A. 5% to 15% for regular general fund operating revenues, or
- B. 8% to 17% of regular general fund operating expenditures (includes all payments to county, school and precincts)

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

1-P Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, and the useful lives of capital assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

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

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

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

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2016, \$725,000 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, Expenditures, and Changes in Fund Balance - Budgetary Basis presents the actual results to provide a comparison with the budget. The major difference between the budgetary basis and GAAP basis is as follows:

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

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

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 12,141,066
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
To record revenue of the blended funds	7,530
Change in property tax revenue relating to 60-day revenue recognition	36,504
Change in allowance for uncollectible property taxes	(33,000)
Per Exhibit C-3 (GAAP basis)	\$ 12,152,100

(Continued)

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 12,326,772
Adjustment:	
Basis differences:	
Encumbrances, beginning	3,992
Encumbrances, ending	(1,996)
GASB Statement No. 54:	
To record expenditures of the blended funds	1,576,134
To eliminate transfers between the blended general and expendable trust funds	(1,688,000)
Per Exhibit C-3 (GAAP basis)	<u>\$ 12,216,902</u>

2-C Deficit Fund Balance

The Main street capital project fund had a deficit fund balance of \$8,023 at December 31, 2016. This deficit is due to the halting of New Hampshire Department of Transportation funding. This deficit will either be financed eventually through the New Hampshire Department of Transportation or will be subsidized by the general fund.

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

At December 31, 2016, the reported amount of the Town's deposits was \$17,244,993 and the bank balance was \$17,674,639. Of the bank balance \$16,819,691 was covered by federal depository insurance or by collateral held by the Town's agent in the Town's name, and \$854,948 was uninsured and uncollateralized.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 11,741,808
Cash per Statement of Net Position-Fiduciary Funds (Exhibit E-1)	5,503,185
Total cash and cash equivalents	<u>\$ 17,244,993</u>

NOTE 4 – INVESTMENTS

Note 1-E describes statutory requirements covering the investment of the Town funds. The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements as of December 31, 2016:

	Valuation Measurement				Total
	Method	Fair Value	1-5 Years	6-10 Years	
Investments type:					
Corporate bonds	Level 1	\$ -	\$ 20,091	\$ 30,066	\$ 50,157
Equity exchange traded funds	Level 1	117,777	-	-	117,777
Fixed income exchange traded funds	Level 1	47,619	-	-	47,619
Municipal bonds	Level 1	-	10,007	-	10,007
New Hampshire Public Deposit Investment Pool	Level 2	765,948	-	-	765,948
Preferred stocks	Level 1	9,390	-	-	9,390
Total fair value		<u>\$ 940,734</u>	<u>\$ 30,098</u>	<u>\$ 30,066</u>	<u>\$ 1,000,898</u>

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

Fair Value Measurements of Investments – In accordance with GASB Statement No. 72 *Fair Value Measurement and Application*, except for investments measured using net asset value (NAV) as a practical expedient to estimate fair value, the Town categorizes the fair value measurements of its investments within the fair value hierarchy established by US GAAP. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

Level 1 inputs reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the Town has the ability to access at the measurement date. Most of the Town’s directly held marketable equity securities would be examples of Level 1 investments.

Level 2 inputs are other than quoted prices that are observable for the assets or liabilities, either directly or indirectly, including inputs in markets that are not considered to be active. Because they most often are priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held fixed income securities are categorized in Level 2.

Level 3 inputs are significant unobservable inputs. The Town held no Level 3 investments as of December 31, 2016.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances, where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, is the level in the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. Investments are reported at fair value. If an investment is held directly by the Town and an active market with quoted prices exists, such as for domestic equity securities, the market price of an identical security is used to report fair value and is classified in Level 1. Corporate fixed income securities and certain governmental securities utilize pricing that may involve estimation using similar securities or trade dates and are classified in Level 2. Fair values for shares in registered mutual funds and exchange-traded funds are based on published share prices and classified in Level 1.

Investments in Certain External Investment Pools – In accordance with GASBS Statement No. 79, the Town held investments with the New Hampshire Public Deposit Investment Pool (NHPDIP) and are categorized as Level 2. The NHPDIP measures all of its investments at amortized cost. There are no redemption restrictions and shares may be redeemed by the Town in accordance with the NHPDIP’s Information Statement.

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Town has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – As of December 31, 2016, the Town’s investments in corporate and municipal bonds had the following ratings:

	Amount	Rating*
Corporate bonds	\$ 40,109	A
Corporate bonds	10,048	Baa
	50,157	
Municipal bonds	10,007	Aa
Total	\$ 60,164	

*Per Moody's

Custodial Credit Risk – This is the risk that in the event of the failure of the counterparty (e.g. broker/dealer) to honor a transaction, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk – The Town places no limit on the amount it may invest in any one issuer. No individual investments in any one issuer exceeded 5% of the Town’s total investment balance at December 31, 2016.

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 457,850
Investments per Statement of Net Position-Fiduciary Funds (Exhibit E-1)	543,048
Total investments	<u><u>\$ 1,000,898</u></u>

NOTE 5 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2016. The amount has been reduced by an allowance for an estimated uncollectible amount of \$15,000. Taxes receivable by year are as follows:

	As reported on:	
	Exhibit A	Exhibit C-1
Property:		
Levy of 2016	\$ 1,663,568	\$ 1,663,568
Unredeemed (under tax lien):		
Levy of 2015	410,971	410,971
Levy of 2014	273,070	273,070
Levies of 2013 and prior	38,288	38,288
Yield	1,432	1,432
Less: allowance for estimated uncollectible taxes	(15,000) *	-
Net taxes receivable	<u><u>\$ 2,372,329</u></u>	<u><u>\$ 2,387,329</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 6 – OTHER RECEIVABLES

Receivables at December 31, 2016, consisted of accounts (billings for police details 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, 2016 for the Town's individual major fund including applicable allowances for uncollectible accounts are as follows:

	General Fund
Receivables:	
Accounts	\$ 10,935
Less: allowance for uncollectibles	(102)
Net total receivables	<u><u>\$ 10,833</u></u>

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 is as follows:

	Balance, beginning (as restated)	Additions	Disposals	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 6,937,233	\$ -	\$ -	\$ 6,937,233
Construction in progress	31,438	-	(31,438)	-
Total capital assets not being depreciated	<u>6,968,671</u>	<u>-</u>	<u>(31,438)</u>	<u>6,937,233</u>
Being depreciated:				
Buildings and building improvements	5,897,743	344,961	-	6,242,704
Machinery, equipment, and vehicles	4,632,047	407,903	(248,498)	4,791,452
Infrastructure	16,191,511	1,038,854	-	17,230,365
Total capital assets being depreciated	<u>26,721,301</u>	<u>1,791,718</u>	<u>(248,498)</u>	<u>28,264,521</u>
Total all capital assets	<u>33,689,972</u>	<u>1,791,718</u>	<u>(279,936)</u>	<u>35,201,754</u>
Less accumulated depreciation:				
Buildings and building improvements	(1,455,296)	(125,290)	-	(1,580,586)
Machinery, equipment, and vehicles	(1,877,910)	(202,339)	124,241	(1,956,008)
Infrastructure	(2,894,216)	(470,667)	-	(3,364,883)
Total accumulated depreciation	<u>(6,227,422)</u>	<u>(798,296)</u>	<u>124,241</u>	<u>(6,901,477)</u>
Net book value, capital assets being depreciated	<u>20,493,879</u>	<u>993,422</u>	<u>(124,257)</u>	<u>21,363,044</u>
Net book value, all capital assets	<u>\$ 27,462,550</u>	<u>\$ 993,422</u>	<u>\$ (155,695)</u>	<u>\$ 28,300,277</u>

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

General government	\$ 23,433
Public safety	46,595
Highways and streets	578,200
Sanitation	84,374
Culture and recreation	65,694
Total depreciation expense	<u>\$ 798,296</u>

NOTE 8 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of December 31, 2016 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor	<u>\$ 16,263</u>

The outstanding balances among funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers - The composition of interfund transfers for the year ended December 31, 2016 is as follows:

	<u>Transfers In:</u>
	General
	Fund
Transfers out:	
Nonmajor fund	<u>\$ 20,450</u>

During the year, transfers are used to (1) move revenues from the fund with collection authority to the fund responsible for expenditure and (2) move general fund resources to provide an annual subsidy.

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

NOTE 9 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of \$11,832,846 at December 31, 2016 consist of the following:

General fund:	
Balance due to the Conway School District	\$ 7,497,876
Balance due to the State of New Hampshire for miscellaneous Town Clerk fees	3,749
Total general fund	<u>7,501,625</u>
Agency funds:	
Balance of capital reserve funds due to the:	
Center Conway Fire Precinct	165,549
Conway School District	1,387,153
Conway Village Fire District	934,069
East Conway Fire Precinct	49,039
Kearsarge Lighting Precinct	36,434
North Conway Water Precinct	1,708,724
Redstone Fire Precinct	50,253
Total agency funds	<u>4,331,221</u>
Total intergovernmental payables due	<u>\$ 11,832,846</u>

NOTE 10 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources of \$2,451,867 in the governmental activities at December 31, 2016 consists of amounts related to pensions, see Note 13.

Deferred inflows of resources reported in the governmental funds as unavailable revenue are as follows:

	Governmental Activities	General Fund	Nonmajor Governmental Funds
Property taxes not collected within 60 days of fiscal year-end	\$ -	\$ 494,924 *	\$ -
Property taxes collected in advance of commitment	37,542	37,542	-
Grants and donations received in advance of eligible expenditures	20,058	-	20,058
Amounts related to pensions, see Note 13	329,259	-	-
Total deferred inflows of resources	<u>\$ 386,859</u>	<u>\$ 532,466</u>	<u>\$ 20,058</u>

*Balance is not recognized under the full-accrual basis of accounting.

NOTE 11 – 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 is met.

	Standard Interest Rate	Present Value of Remaining Payments as of December 31, 2016
Capital lease obligation:		
Trackless tractor	3.00%	<u>\$ 28,726</u>

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

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

	Governmental Activities
Machinery, equipment, and vehicles:	
Trackless tractor	\$ 139,570
Less: accumulated depreciation	27,914
Total capital lease equipment	\$ 111,656

The annual requirements to amortize the capital leases payable as of December 31, 2016, including interest payments, are as follows:

Fiscal Year Ending December 31,	Governmental Activities
2017	\$ 29,588
Less: interest	862
Present value of remaining payments	\$ 28,726

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

NOTE 12 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended December 31, 2016:

	Balance January 1, 2016	Additions	Reductions	Balance December 31, 2016	Due Within One Year
General obligation bond	\$ 150,000	\$ -	\$ (75,000)	\$ 75,000	\$ 75,000
Capital lease	56,616	-	(27,890)	28,726	28,726
Compensated absences	763,186	136,651	-	899,837	68,044
Net other postemployment benefits	775,045	-	(29,591)	745,454	-
Accrued landfill closure and postclosure care costs	2,027,720	147,565	-	2,175,285	-
Net pension liability	7,268,868	2,760,115	-	10,028,983	-
Total long-term liabilities	\$ 11,041,435	\$ 3,044,331	\$ (132,481)	\$ 13,953,285	\$ 171,770

Long-term bond is comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2016
General obligation bond payable:					
Library addition	\$ 1,178,250	2002	2017	3.0-4.3	\$ 75,000

The final payment on the bond payable is due in 2017 and consists of \$75,000 principal and \$1,613 interest, for a total of \$76,613.

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 \$2,175,285 as of December 31, 2016, which is based on 38.5% usage (filled) of the landfill. It is estimated that an additional \$1,197,000 will be recognized as closure and postclosure care costs between the date of the Balance Sheet and the date

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

the landfill is expected to be filled to capacity (2068). The estimated total current cost of the landfill closure and postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2016. 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 fund was \$1,817,764 at December 31, 2016.

NOTE 13 – DEFINED BENEFIT PENSION PLAN

Plan Description: The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25. The Pension Plan was 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 Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers with in the State are eligible and required to participate in the Pension Plan. 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.

Benefits Provided: The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II. All assets are held in a single trust and available to pay retirement benefits to all members.

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC) multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the member attains 52.5 years of age by $\frac{1}{4}$ of 1% or age 60.

Members of both groups may qualify for vested deferred allowances, disability allowances and death benefit allowances, subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation and/or service.

Contributions: The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees are required to contribute 7% of earnable compensation. For fiscal year 2016, the Town contributed 26.38% for police, 29.16% for fire fighters, and 11.17% for all other employees. The contribution requirements for the fiscal years 2014, 2015, and 2016 were \$684,979, \$719,873, and \$734,390, respectively, which were paid in full in each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At December 31, 2016 the Town reported a liability of \$10,028,983 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

all participating towns and school districts, actuarially determined. At June 30, 2016, the Town's proportion was .18859997% which was an increase of .00511345% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Town recognized pension expense of \$1,104,341. At December 31, 2016 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 211,975	\$ 202,618
Changes in assumptions	1,234,249	-
Net difference between projected and actual investment earnings on pension plan investments	627,465	-
Differences between expected and actual experience	27,870	126,641
Contributions subsequent to the measurement date	350,308	-
Total	\$ 2,451,867	\$ 329,259

The \$350,308 reported as deferred outflows of resources related to pensions results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending December 31,		
2017	\$	344,070
2018		344,070
2019		564,288
2020		493,503
2021		26,369
Totals	\$	1,772,300

Actuarial Assumptions: The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2015, using the following actuarial assumptions which, accordingly apply to 2016 measurements:

Inflation:	2.5%	
Salary increases:	5.6% average, including inflation	
Investment rate of return:	7.25% net of pension plan investment expense, including inflation	

Mortality rates were based on the RP-2014 employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on last experience study.

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

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

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

Following is a table presenting target allocations and long-term rates of return for 2016:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return 2016
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	4.75%
Emerging Int'l Equities	7.00%	6.25%
Total international equity	20.00%	
Core Bonds	5.00%	(0.64%)
Short Duration	2.00%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	(1.71%)
Absolute Return Fixed Income	7.00%	1.08%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.75%
Opportunistic	5.00%	3.68%
Total alternative investments	15.00%	
Real estate	10.00%	3.25%
Total	100.00%	

Discount Rate: The discount rate used to measure the collective total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25% as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2016	\$ 12,886,560	\$ 10,028,983	\$ 7,659,076

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan financial report.

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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 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

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

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 2016:

Annual required contribution	\$ 34,358
Interest on net OPEB obligation	1,602
Adjustment to annual required contribution	<u>(14,868)</u>
Annual OPEB cost (expense)	21,092
Contributions made	<u>(50,683)</u>
Increase in net OPEB obligation	(29,591)
Net OPEB obligation - beginning of year	<u>775,045</u>
Net OPEB Obligation - end of year	<u><u>\$ 745,454</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 2016 and preceding four years were as follows:

Fiscal Year Ended	Annual OPEB Contribution Cost	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
December 31, 2016	\$ 21,092	\$ (50,683)	240.29%	\$ 745,454
December 31, 2015	\$ 292,416	\$ (251,027)	85.85%	\$ 775,045
December 31, 2014	\$ 344,519	\$ (251,736)	73.10%	\$ 733,656
December 31, 2013	\$ 358,761	\$ (223,367)	62.30%	\$ 640,873
December 31, 2012	\$ 364,371	\$ (228,161)	62.60%	\$ 505,479

As of July 1, 2016, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$424,895, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$424,895. The covered payroll (annual payroll of active employees covered by the plan) was \$4,805,470 during fiscal year 2016, and the ratio of the UAAL to the covered payroll was 8.84%.

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.

In the July 1, 2015 actuarial valuation, the actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return per annum. The projected annual healthcare cost trend is 9% initially, reduced by decrements to an ultimate rate of 5.0% for years 2018 and later. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at December 31, 2016 was 30 years.

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

The OPEB calculations for all years prior to 2016 were factored on 100% of the employees staying with the Town until retirement and then subsequently taking the group health coverage. The OPEB calculations in 2016 changed this percentage to 10% based on actual experiences of the Town.

NOTE 15 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide Statement of Net Position at December 31, 2016 include the following:

Net investment in capital assets:		
Net property, buildings, and equipment	\$	28,300,277
Less:		
General obligation bond payable		(75,000)
Capital lease payable		(28,726)
Total net investment in capital assets		<u>28,196,551</u>
Restricted:		
Public library		300,758
Hubbard and Davis Public Forest Reserve		14,245
Grants		30
Drug forfeiture		7,875
Nonexpendable permanent funds		74,944
Expendable permanent funds		139,395
Total restricted		<u>537,247</u>
Unrestricted		<u>(5,515,893)</u>
Total net position	\$	<u>23,217,905</u>

NOTE 16 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2016 include the following:

Nonspendable:		
Major fund:		
General:		
Tax deeded property, held for resale	\$	72,523
Nonmajor fund:		
Permanent fund - principal balance		<u>74,944</u>
Total nonspendable fund balance		\$ 147,467
Restricted:		
Nonmajor funds:		
Public library	\$	300,758
Hubbard and Davis public forest reserve		14,245
Grants		30
Drug forfeiture		7,875
Permanent - income balance		<u>139,395</u>
Total restricted fund balance		462,303

(Continued)

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

Governmental fund balances continued:

Committed:		
Major fund:		
General:		
Expendable trust	\$ 3,140,957	
Nonmajor funds:		
Conservation commission	208,604	
Police commercial detail	33,981	
Recycling special waste	38,468	
Recreation	122,234	
	<u>403,287</u>	
Total committed fund balance		3,544,244
Assigned:		
Major fund:		
General:		
Encumbrances	\$ 17,675	
D.A.R.E	2,856	
Total assigned fund balance		20,531
Unassigned:		
Major fund:		
General	\$ 2,103,177	
Nonmajor fund:		
Main Street capital project	<u>(8,023)</u>	
		<u>2,095,154</u>
Total governmental fund balances		<u>\$ 6,269,699</u>

NOTE 17 – PRIOR PERIOD ADJUSTMENT

Net position at January 1, 2016 was restated to give retroactive effect to the following prior period adjustment:

	Government-wide Statements
To record capital assets and related depreciation, not previously reported	\$ 855,873
Net position, as previously reported	<u>22,103,662</u>
Net position, as restated	<u>\$ 22,959,535</u>

NOTE 18 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2016, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs. This entity is considered a public entity risk pools, currently operating as common risk management and insurance programs for member Towns and cities.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2016 to December 31, 2016 by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The estimated net contribution from the Town of Conway billed and paid for the year ended December 31, 2016 was \$91,499 for workers' compensation and \$116,573 for property/liability.

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

NOTE 19 – CONTINGENT LIABILITIES

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

NOTE 20 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through June 9, 2017, the date the December 31, 2016 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, 2016

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, 2016	\$ -	\$ 424,895	\$ 424,895	0.00%	\$ 4,805,470	8.84%
December 31, 2015	\$ -	\$ 2,379,391	\$ 2,379,391	0.00%	\$ 4,282,851	55.56%
December 31, 2014	\$ -	\$ 2,483,851	\$ 2,483,851	0.00%	\$ 4,412,786	56.29%
December 31, 2013	\$ -	\$ 1,877,943	\$ 1,877,943	0.00%	\$ 4,816,939	38.99%
December 31, 2012	\$ -	\$ 1,877,943	\$ 1,877,943	0.00%	\$ 4,152,916	45.22%
December 31, 2011	\$ -	\$ 1,877,943	\$ 1,877,943	0.00%	\$ 4,088,525	45.93%
December 31, 2010	\$ -	\$ 1,877,943	\$ 1,877,943	0.00%	\$ 3,959,525	47.43%
December 31, 2009	\$ -	\$ 1,877,943	\$ 1,877,943	0.00%	\$ 3,921,432	47.89%

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

EXHIBIT G
TOWN OF CONWAY, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of Net Pension Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2016

Fiscal Year	Valuation Date	Town's Proportion of Net Pension Liability	Proportionate Share of Net Pension Liability	Covered Payroll	Towns Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
December 31, 2016	July 1, 2016	0.18859997%	\$ 10,028,983	\$ 4,542,885	220.76%	58.30%
December 31, 2015	July 1, 2015	0.18348652%	\$ 7,268,868	\$ 4,196,038	173.23%	65.47%
December 31, 2014	July 1, 2014	0.19109216%	\$ 7,172,808	\$ 4,104,417	174.76%	66.32%
December 31, 2013	July 1, 2013	0.18902336%	\$ 8,135,158	\$ 4,052,959	200.72%	59.81%

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

EXHIBIT H
TOWN OF CONWAY, NEW HAMPSHIRE
Schedule of Town Contributions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2016

Fiscal Year	Valuation Date	Contractually Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2016	July 1, 2016	\$ 675,337	\$ 675,337	\$ -	\$ 4,542,885	14.87%
December 31, 2015	July 1, 2015	\$ 615,576	\$ 615,576	\$ -	\$ 4,196,038	14.67%
December 31, 2014	July 1, 2014	\$ 619,947	\$ 619,947	\$ -	\$ 4,104,417	15.10%
December 31, 2013	July 1, 2013	\$ 470,013	\$ 470,013	\$ -	\$ 4,052,959	11.60%

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

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

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, 2016 and the preceding seven years.

Schedule of the Town's Proportionate Share of Net Pension Liability & Schedule of Town Contributions

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits G and H represent the actuarial determined costs associated with the Town's pension plan at December 31, 2016.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2016:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	23 Years beginning July 1, 2016 (30 years beginning July 1, 2009)
Asset Valuation Method	5-Year smooth market for funding purposes
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	2.85% per year
Investment Rate of Return	7.25% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on the last experience study.

Other Information:

Notes Contribution rates for Fiscal Year 2014 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.

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, 2016

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 8,125,652	\$ 8,227,939	\$ 102,287
Land use change	10,000	8,100	(1,900)
Yield	35,646	43,144	7,498
Excavation	115	114	(1)
Payment in lieu of taxes	21,134	18,857	(2,277)
Interest and penalties on taxes	340,000	266,661	(73,339)
Total from taxes	<u>8,532,547</u>	<u>8,564,815</u>	<u>32,268</u>
Licenses, permits, and fees:			
Business licenses, permits, and fees	17,400	23,506	6,106
Motor vehicle permit fees	1,846,750	1,805,046	(41,704)
Building permits	90,100	182,136	92,036
Other	171,550	170,737	(813)
Total from licenses, permits, and fees	<u>2,125,800</u>	<u>2,181,425</u>	<u>55,625</u>
Intergovernmental:			
State:			
Meals and rooms distribution	520,198	520,198	-
Highway block grant	253,595	253,595	-
Other	244,795	238,893	(5,902)
Total from intergovernmental	<u>1,018,588</u>	<u>1,012,686</u>	<u>(5,902)</u>
Charges for services:			
Income from departments	244,200	312,553	68,353
Miscellaneous:			
Sale of municipal property	31,765	23,419	(8,346)
Interest on investments	1,300	1,138	(162)
Fines and forfeits	-	8,258	8,258
Insurance dividends and reimbursements	-	497	497
Contributions and donations	14,938	4,040	(10,898)
Other	-	11,785	11,785
Total from miscellaneous	<u>48,003</u>	<u>49,137</u>	<u>1,134</u>
Other financing sources:			
Transfers in	20,450	20,450	-
Total revenues and other financing sources	11,989,588	<u>\$ 12,141,066</u>	<u>\$ 151,478</u>
Unassigned fund balance used to reduce tax rate	725,000		
Total revenues, other financing sources, and use of fund balance	<u>\$ 12,714,588</u>		

SCHEDULE 2
TOWN OF CONWAY, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2016

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ 3,992	\$ 253,738	\$ 260,968	\$ 1,996	\$ (5,234)
Election and registration	-	126,540	119,467	-	7,073
Financial administration	-	291,050	285,801	-	5,249
Revaluation of property	-	183,842	183,242	-	600
Legal	-	50,000	38,543	-	11,457
Personnel administration	-	1,017,013	952,585	-	64,428
Planning and zoning	-	193,519	191,912	-	1,607
General government buildings	-	98,107	98,527	-	(420)
Cemeteries	-	1	-	-	1
Insurance, not otherwise allocated	-	16,960	16,960	-	-
Total general government	<u>3,992</u>	<u>2,230,770</u>	<u>2,148,005</u>	<u>1,996</u>	<u>84,761</u>
Public safety:					
Police	-	3,728,481	3,613,645	-	114,836
Ambulance	-	162,160	162,178	-	(18)
Fire	-	319,958	314,958	-	5,000
Building inspection	-	80,965	81,298	-	(333)
Emergency management	-	4,800	4,538	-	262
Total public safety	-	<u>4,296,364</u>	<u>4,176,617</u>	-	<u>119,747</u>
Airport	-	9,999	9,999	-	-
Highways and streets:					
Public works garage	-	66,422	66,692	-	(270)
Highways and streets	-	1,984,105	1,867,584	-	116,521
Bridges	-	1,000	960	-	40
Street lighting	-	76,481	74,487	-	1,994
Total highways and streets	-	<u>2,128,008</u>	<u>2,009,723</u>	-	<u>118,285</u>
Sanitation:					
Administration	-	66,422	66,810	-	(388)
Solid waste disposal	-	746,451	695,160	-	51,291
Total sanitation	-	<u>812,873</u>	<u>761,970</u>	-	<u>50,903</u>
Health:					
Administration	-	3,450	3,024	-	426
Welfare:					
Administration	-	56,642	56,249	-	393
Direct assistance	-	45,000	51,023	-	(6,023)
Other	-	129,281	129,281	-	-
Total welfare	-	<u>230,923</u>	<u>236,553</u>	-	<u>(5,630)</u>
Culture and recreation:					
Parks and recreation	-	375,461	343,073	-	32,388
Library	-	707,141	689,986	-	17,155
Patriotic purposes	-	21,200	22,694	-	(1,494)
Other	-	75,000	75,000	-	-
Total culture and recreation	-	<u>1,178,802</u>	<u>1,130,753</u>	-	<u>48,049</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, 2016

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Conservation	-	8,511	10,730	-	(2,219)
Debt service:					
Principal of long-term debt	-	75,000	75,000	-	-
Interest on long-term debt	-	3,188	3,188	-	-
Interest on tax anticipation notes	-	1,500	-	-	1,500
Total debt service	-	79,688	78,188	-	1,500
Capital outlay	-	47,200	75,206	-	(28,006)
Other financing uses:					
Transfers out	-	1,688,000	1,688,000	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 3,992	\$ 12,714,588	\$ 12,328,768	\$ 1,996	\$ 387,816

SCHEDULE 3
TOWN OF CONWAY, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended December 31, 2016

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)		\$ 2,773,705
Changes:		
Unassigned fund balance used to reduce 2016 tax rate		(725,000)
2016 Budget summary:		
Revenue surplus (Schedule 1)	\$ 151,478	
Unexpended balance of appropriations (Schedule 2)	<u>387,816</u>	
2016 Budget surplus		539,294
Decrease in nonspendable fund balance		10,781
Increase in assigned for abatement contingency		<u>(15,679)</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis) (Exhibit D)		2,583,101
Reconciliation of Non-GAAP Budgetary Basis to GAAP Basis:		
To record deferred inflows of resources for property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis		(494,924)
To remove the allowance for uncollectible property taxes, recognized on a budgetary basis, but not on a GAAP basis		<u>15,000</u>
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		<u><u>\$ 2,103,177</u></u>

SCHEDULE 4
TOWN OF CONWAY, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2016

	Special Revenue Funds										Local Public Agency Project Fund		Total
	Public Library	Hubbard and Davis Public Forest Reserve	Conservation Commission	Grants	Police Commercial Detail	Recycling Special Waste	Recreation	Drug Forfeiture	Permanent Fund	Project Fund	Permanent Fund	Total	
ASSETS													
Cash and cash equivalents	\$ 74,047	\$ -	\$ -	\$ 20,088	\$ 33,981	\$ 38,468	\$ 122,234	\$ 7,875	\$ -	\$ -	\$ 214,339	\$ 511,032	
Investments	234,951	14,245	208,604	-	-	-	-	-	-	-	-	457,800	
Total assets	\$ 308,998	\$ 14,245	\$ 208,604	\$ 20,088	\$ 33,981	\$ 38,468	\$ 122,234	\$ 7,875	\$ -	\$ -	\$ 214,339	\$ 968,832	
LIABILITIES													
Interfund payable	\$ 8,240	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,023	\$ -	\$ 16,263	
DEFERRED INFLOWS OF RESOURCES													
Unavailable revenue - Advanced grant funding	-	-	-	20,058	-	-	-	-	-	-	-	20,058	
FUND BALANCES (DEFICIT)													
Nonspendable	-	-	-	-	-	-	-	-	-	-	74,944	74,944	
Restricted	300,758	14,245	-	30	-	-	-	7,875	-	-	139,395	462,303	
Committed	-	-	208,604	-	33,981	38,468	122,234	-	-	-	-	403,287	
Unassigned (deficit)	-	-	-	-	-	-	-	-	-	(8,023)	-	(8,023)	
Total fund balances (deficit)	300,758	14,245	208,604	30	33,981	38,468	122,234	7,875	-	(8,023)	214,339	932,511	
Total liabilities, deferred inflows of resources, and fund balances	\$ 308,998	\$ 14,245	\$ 208,604	\$ 20,088	\$ 33,981	\$ 38,468	\$ 122,234	\$ 7,875	\$ -	\$ -	\$ 214,339	\$ 968,832	

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, 2016

	Special Revenue Funds										Local Public Agency Project Fund		Total
	Public Library	Hubbard and Davis Public Forest Reserve	Conservation Commission	Grants	Police Commercial Detail	Recycling Special Waste	Recreation	Drug Forfeiture	Permanent Fund	Permanent Fund			
REVENUES													
Taxes	\$ -	\$ -	\$ 8,100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,100
Intergovernmental	-	-	-	-	-	-	-	-	-	-	57,818	-	57,818
Charges for services	-	-	-	-	26,396	151,298	122,579	-	-	-	-	-	300,273
Miscellaneous	52,027	75	8,490	180	4	4	10	792	-	-	-	539	62,121
Total revenues	52,027	75	16,590	180	26,400	151,302	122,589	792	-	-	57,818	539	428,312
EXPENDITURES													
Current:													
General government	-	-	-	-	-	-	-	-	-	-	-	3,440	3,440
Public safety	-	-	-	-	22,548	-	-	-	-	-	-	-	22,548
Sanitation	-	-	-	-	-	132,931	-	-	-	-	-	-	132,931
Culture and recreation	25,909	-	-	180	-	-	101,450	-	-	-	-	-	127,539
Conservation	-	431	14,750	-	-	-	-	-	-	-	-	-	15,181
Capital outlay	-	-	-	-	-	-	-	-	-	-	65,841	-	65,841
Total expenditures	25,909	431	14,750	180	22,548	132,931	101,450	-	-	-	65,841	3,440	367,480
Excess (deficiency) of revenues over (under) expenditures	26,118	(356)	1,840	-	3,852	18,371	21,139	792	-	(8,023)	(2,901)	(2,901)	60,832
OTHER FINANCING USES													
Transfers out	(20,450)	-	-	-	-	-	-	-	-	-	-	-	(20,450)
Net change in fund balances	5,668	(356)	1,840	-	3,852	18,371	21,139	792	-	(8,023)	(2,901)	(2,901)	40,382
Fund balances, beginning	295,090	14,601	206,764	30	30,129	20,097	101,095	7,083	-	-	217,240	-	892,129
Fund balances (deficit), ending	\$ 300,738	\$ 14,245	\$ 208,604	\$ 30	\$ 33,981	\$ 38,468	\$ 122,234	\$ 7,875	\$ (8,023)	\$ (8,023)	\$ 214,339	\$ (2,901)	\$ 932,511