

**TOWN OF CONWAY,  
NEW HAMPSHIRE**

**ANNUAL FINANCIAL REPORT**

**AS OF AND FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2018**

**TOWN OF CONWAY**  
**ANNUAL FINANCIAL REPORT**  
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**TABLE OF CONTENTS**

	<u>PAGES</u>
<b>INDEPENDENT AUDITOR'S REPORT</b> .....	1 - 2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b> .....	3 - 10
 <b>BASIC FINANCIAL STATEMENTS</b> 	
<b>Government-wide Financial Statements</b>	
A Statement of Net Position .....	11
B Statement of Activities .....	12
<b>Fund Financial Statements</b>	
<i>Governmental Funds</i>	
C-1 Balance Sheet .....	13
C-2 Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position.....	14
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balances.....	15
C-4 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities .....	16
<i>Budgetary Comparison Information</i>	
D Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund .....	17
<i>Fiduciary Funds</i>	
E-1 Statement of Net Position .....	18
E-2 Statement of Changes in Net Position .....	19
<b>NOTES TO THE BASIC FINANCIAL STATEMENTS</b> .....	20 - 42
 <b>REQUIRED SUPPLEMENTARY INFORMATION</b> 	
F Schedule of the Town's Proportionate Share of Net Pension Liability .....	43
G Schedule of Town Contributions – Pensions .....	44
<b>NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION -</b> <b>PENSION LIABILITY</b> .....	45
H Schedule of the Town's Proportionate Share of Net Other Postemployment Benefits Liability .....	46
I Schedule of Town Contributions – Other Postemployment Benefits .....	47
J Schedule of Changes in the Town's Total Other Postemployment Benefits Liability and Related Ratios.....	48
<b>NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION -</b> <b>OTHER POSTEMPLOYMENT BENEFITS LIABILITY</b> .....	49
 <b>COMBINING AND INDIVIDUAL FUND SCHEDULES</b> 	
<b>Governmental Funds</b>	
<i>Major General Fund</i>	
1 Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis).....	50
2 Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis) .....	51 - 52
3 Schedule of Changes in Unassigned Fund Balance.....	53
<i>Nonmajor Governmental Funds</i>	
4 Combining Balance Sheet .....	54
5 Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances.....	55



# PLODZIK & SANDERSON

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## ***INDEPENDENT AUDITOR'S REPORT***

To the Members of the Board of Selectmen and Town Manager  
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, 2018, 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, 2018, 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.

### ***Change in Accounting Principle***

As discussed in Note 2-C to the financial statements, in fiscal year 2018 the Town adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 following be presented to supplement the basic financial statements:

- Management's Discussion and Analysis,
- Schedule of the Town's Proportionate Share of Net Pension Liability,
- Schedule of Town Contributions – Pensions,
- Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefits Liability,
- Schedule of Town Contributions – Other Postemployment Benefits,
- Schedule of Changes in the Town's Total Other Postemployment Benefits Liability and Related Ratios, and
- Notes to the Required Supplementary Information

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.

July 15, 2019

*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.

**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 six precincts of Conway, as well as seven scholarship funds. Fiduciary funds and performance surety deposits held in escrow 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

	2018	2017	Change	% Change
At cost:				
Not being depreciated:				
Land	\$ 7,524,933	\$ 7,524,933	\$ -	0.00%
Being depreciated:				
Buildings and building improvements	6,319,426	6,242,704	76,722	1.23%
Machinery, equipment, and vehicles	5,502,328	5,082,013	420,315	8.27%
Infrastructure	18,767,657	18,198,822	568,835	3.13%
Total capital assets being depreciated	<u>30,589,411</u>	<u>29,523,539</u>	<u>1,065,872</u>	<u>3.61%</u>
Total all capital assets	<u>38,114,344</u>	<u>37,048,472</u>	<u>1,065,872</u>	<u>2.88%</u>
Less accumulated depreciation:				
Buildings and building improvements	(1,855,476)	(1,717,039)	(138,437)	8.06%
Machinery, equipment, and vehicles	(1,974,669)	(2,105,521)	130,852	-6.21%
Infrastructure	(4,407,762)	(3,902,462)	(505,300)	12.95%
Total accumulated depreciation	<u>(8,237,907)</u>	<u>(7,725,022)</u>	<u>(512,885)</u>	<u>6.64%</u>
Net book value, capital assets being depreciated	22,351,504	21,798,517	552,987	2.54%
Net book value, all capital assets	<u>\$ 29,876,437</u>	<u>\$ 29,323,450</u>	<u>\$ 552,987</u>	<u>1.89%</u>

Long-term liabilities are bonds, notes and capital leases due in more than one year. The Town currently has no long-term debt. In addition to borrowing, long-term liabilities 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). In years prior, the amount paid for employees' insurance was reported in the OPEB calculation. That was corrected this year resulting in a greatly reduced OPEB liability, but was offset by the initial reporting of the Town's proportionate share of the NH Retirement System's OPEB liability. Also included in long-term liabilities are the accrued landfill closure and post-closure care costs, as well as net pension liability.

**Long-Term Liabilities**

	2017		Change	% Change
	2018	as restated		
Compensated Absences	951,020	965,504	(14,484)	-1.50%
Net Other Postemployment Benefits	1,095,820	835,994	259,826	31.08%
Accrued Landfill Postclosure Care Costs	2,238,810	2,208,318	30,492	1.38%
Net Pension Liability	9,098,932	9,543,872	(444,940)	-4.66%
Total	\$ 13,384,582	\$ 13,553,688	\$ (169,106)	-1.25%

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**

	2017		Change	% Change
	2018	as restated		
CURRENT AND OTHER ASSETS	14,824,233	15,040,421	(216,188)	-1.44%
CAPITAL ASSETS, NET OF DEPRECIATION	29,876,437	29,323,450	552,987	1.89%
TOTAL ASSETS	44,700,670	44,363,871	336,799	0.76%
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,433,767	1,734,560	(300,793)	-17.34%
LONG-TERM LIABILITIES OUTSTANDING	13,384,582	8,643,593	4,740,989	54.85%
OTHER LIABILITIES	7,481,121	13,239,257	(5,758,136)	-43.49%
TOTAL LIABILITIES	20,865,703	21,882,850	(1,017,147)	-4.65%
DEFERRED INFLOWS OF RESOURCES	591,969	567,387	24,582	4.33%
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	29,876,437	29,323,450	552,987	1.89%
RESTRICTED	538,108	563,937	(25,829)	-4.58%
UNRESTRICTED	(5,737,780)	(6,239,193)	501,413	-8.04%
TOTAL NET POSITION	24,676,765	23,648,194	1,028,571	4.35%

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. The ongoing culvert replacement schedule had us replace the culvert on Thompson Road Extension. Our capital reserve plan has scheduled the other culverts to be replaced in the next two years. The other project was the reconstruction of Seavey Street.

The Police Department purchased two vehicles. A grader and a vibratory roller were purchased for the Highway Department. Two wheel loaders were purchased for the Solid Waste Department after they both failed ahead of projected lifespans.

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**

	<b>2018</b>	<b>2017</b> <b>as restated</b>	<b>Change</b>	<b>% Change</b>
<b>Governmental activities:</b>				
General Government	\$ 2,510,595	\$ 2,475,325	\$ 35,270	1.42%
Public Safety	4,959,767	4,766,731	193,036	4.05%
Airport	10,000	10,000	-	0.00%
Highways & Streets	3,041,494	3,030,628	10,866	0.36%
Sanitation	1,070,923	1,095,436	(24,513)	-2.24%
Health	3,709	2,699	1,010	37.42%
Welfare	232,606	242,242	(9,636)	-3.98%
Culture & Recreation	1,125,723	1,154,841	(29,118)	-2.52%
Conservation	25,196	21,950	3,246	14.79%
Interest on Long-term Debt	-	295	(295)	-100.00%
<b>Total Governmental Activities</b>	<b>12,980,013</b>	<b>12,800,147</b>	<b>179,866</b>	<b>1.41%</b>
<b>Program Revenues:</b>				
Charges for Services	\$ 678,704	\$ 676,852	\$ 1,852	0.27%
Operating Grants & Contributions	603,587	406,564	197,023	48.46%
Capital Grants & Contributions	-	49,530	(49,530)	-100.00%
<b>General Revenues:</b>				
Property Taxes and Other Taxes	9,025,599	8,729,330	296,269	3.39%
Motor Vehicle Permit Fees	2,020,170	1,964,930	55,240	2.81%
Licenses & Other Fees	358,759	262,389	96,370	36.73%
Grants & Contributions				
not related to specific programs	702,723	676,889	25,834	3.82%
Unrestricted investment earnings	95,554	52,116	43,438	83.35%
Miscellaneous	523,488	95,443	428,045	448.48%
<b>Total Revenues</b>	<b>14,008,584</b>	<b>12,914,043</b>	<b>\$ 1,094,541</b>	<b>8.48%</b>
Beginning Net Position, as restated	23,648,194	23,534,298		
Ending Net Position	24,676,765	23,648,194		
Change in Net Position	\$ 1,028,571	\$ 113,896		

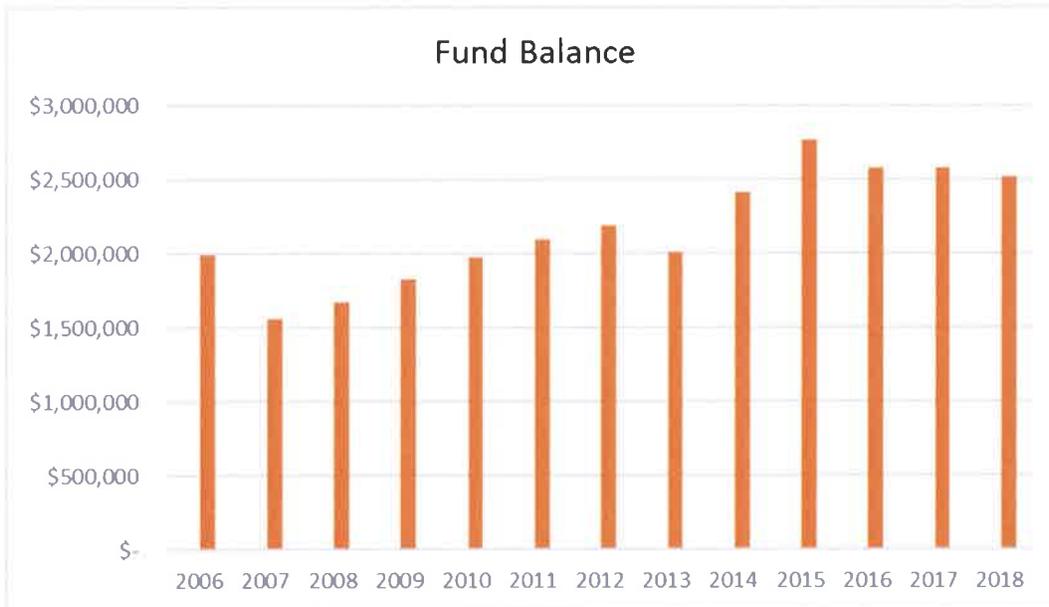
The first section of the Statement of Activities shows the relationship between expenses and offsetting revenues for various areas of Town government. The highway block grant is included in the operating budget's revenues. The fees charged by various departments for services are included in the charges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

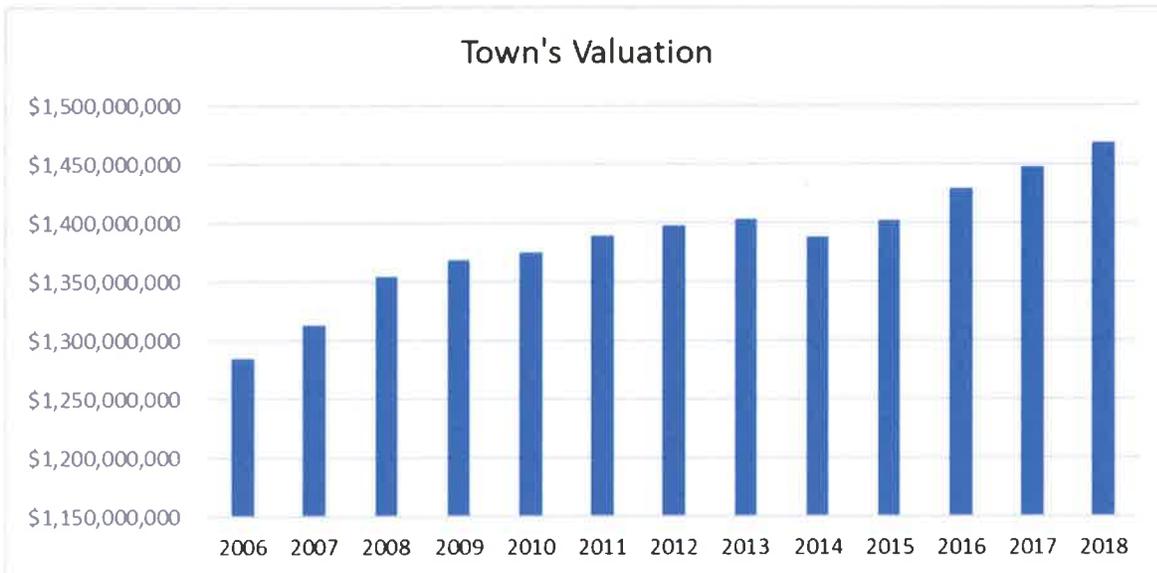
The year 2018 ended with an unassigned fund balance (non-GAAP budgetary basis) in the General Fund of \$2,522,696. The unassigned fund balance at the beginning of 2017 was \$2,576,444. For 2018 revenues exceeded original estimates by \$15,146. Unexpended or unencumbered appropriations were \$366,075. For 2018, \$394,407 from fund balance was used to reduce taxes.

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 2018 was \$31,529,251. Therefore, the recommended amount to be retained is between \$1,562,963 and \$5,359,973. The Town's retained fund balance of \$2,522,696 is 8%.

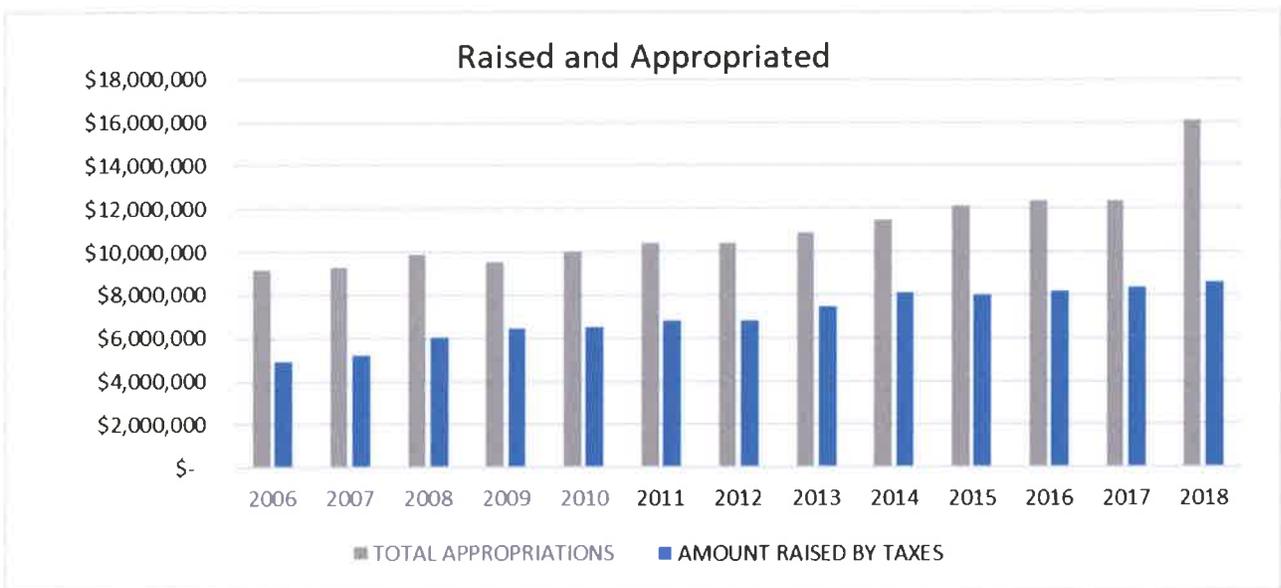
The following chart shows the change in unassigned fund balance over the past 13 years.



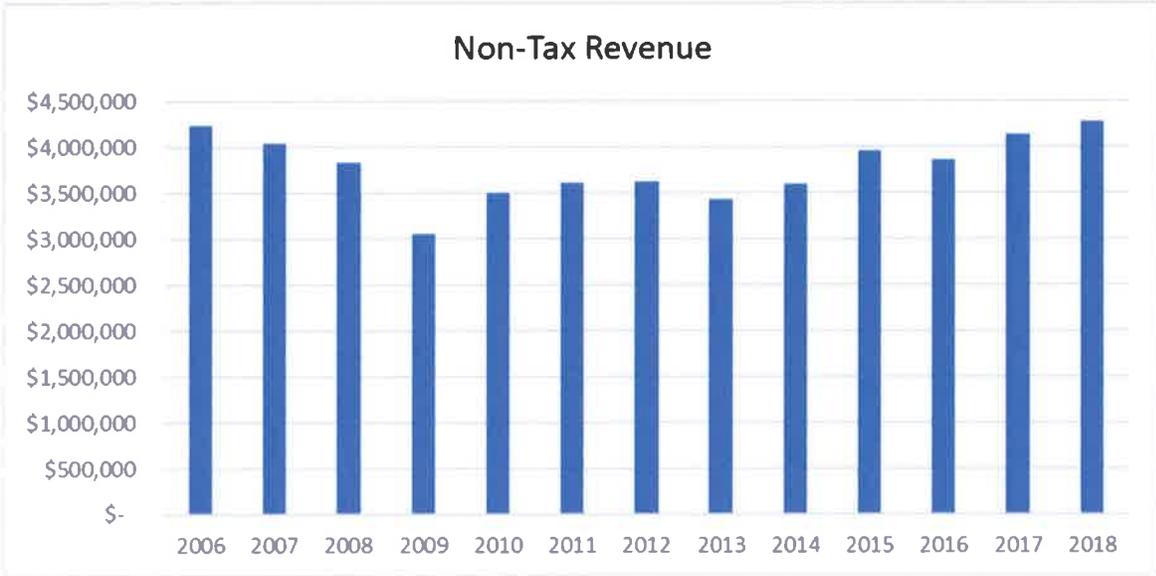
In the past 13 years the total net assessed value of the Town of Conway has increased 14.3% from \$1,284,930,920 to \$1,468,345,836. The increase in value of the Town has an impact on stabilizing the tax rate each year. The 13 year increase in value is shown in the chart below.



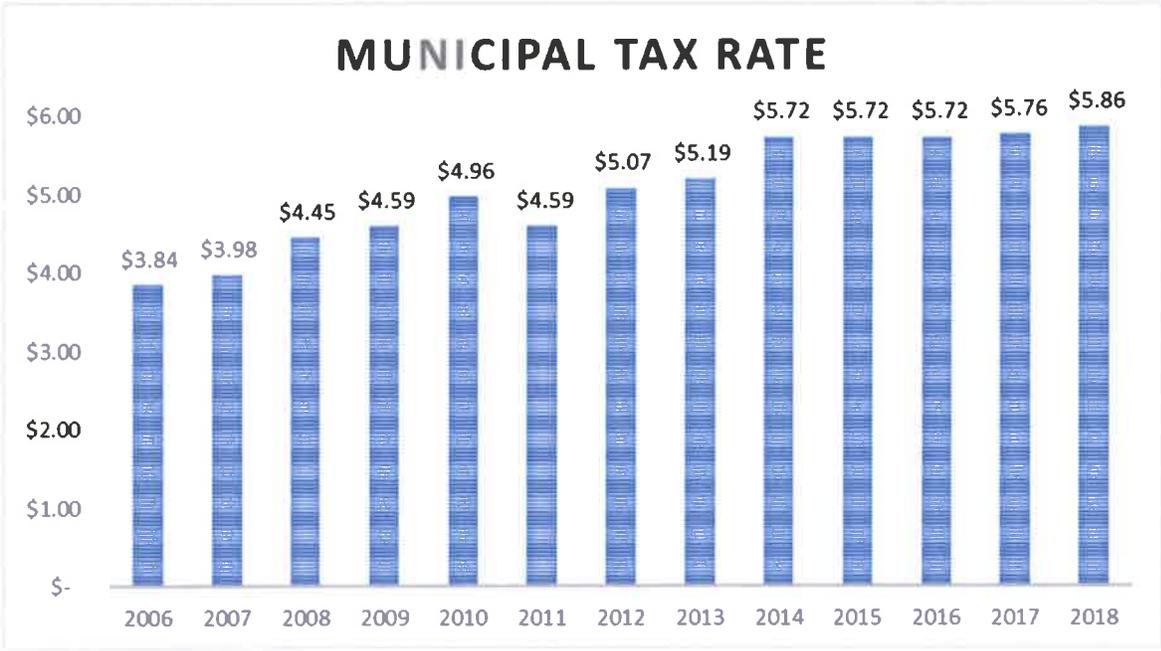
For the same period the relationship between total appropriations and the amount to be raised by taxes is shown in the chart below.



Non-tax revenues, which were increasing, started declining in 2007 and dropped off sharply in 2009. The sharp decline leveled off, and has now exceeded revenues by 1% over the level of a dozen years ago. The end result of 2018 was a 3.6% increase over 2017's non-tax revenues.



The following chart shows the Municipal tax rate for the same 13-year period.



Below is a five-year summary of Conway's budget experience.

	2014	2015	2016	2017	2018
<b>OPERATING BUDGET</b>	9,912,001	10,010,111	10,176,162	10,480,725	11,078,998
<b>WARRANT ARTICLES</b>	1,104,407	1,621,000	2,019,187	1,687,420	4,287,367
<b>NON PROFITS</b>	201,615	173,307	204,281	205,885	215,636
<b>TOTAL APPROPRIATIONS</b>	11,495,569	11,804,418	12,399,630	12,374,031	15,582,001
<b>AMOUNT RAISED BY TAXES</b>	7,899,473	7,397,674	8,178,142	8,336,925	8,599,517
<b>USE of Fund Balance</b>	350,000	450,000	725,000	350,000	394,407
<b>NON TAX REVENUES</b>	3,596,096	3,956,744	3,868,427	4,135,831	7,076,035
<b>MUNICIPAL TAX RATE</b>	5.72	5.72	5.72	5.76	5.86
<b>PERCENT RAISED BY TAXES</b>	69%	63%	66%	67%	55%
<b>VALUE FOR MUNICIPAL RATE</b>	1,388,549,357	1,402,162,830	1,429,524,843	1,447,967,470	1,468,345,836
<b>UNASSIGNED FUND BALANCE</b>	2,414,706	2,773,705	2,542,050	2,576,444	2,522,696

For further information, please contact Lilli D. Gilligan, Finance Director, at 447-3811 x 221.

***BASIC FINANCIAL STATEMENTS***

*EXHIBIT A*  
**TOWN OF CONWAY, NEW HAMPSHIRE**  
*Statement of Net Position*  
*December 31, 2018*

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 11,990,562
Investments	557,971
Taxes receivables (net)	2,106,031
Account receivables (net)	77,891
Intergovernmental receivable	951
Tax deeded property, subject to resale	90,827
Capital assets:	
Land and construction in progress	7,524,933
Other capital assets, net of depreciation	22,351,504
Total assets	44,700,670
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,433,767</b>
<b>LIABILITIES</b>	
Accounts payable	122,761
Accrued salaries and benefits	229,726
Intergovernmental payable	7,128,634
Long-term liabilities:	
Due within one year	84,845
Due in more than one year	13,299,737
Total liabilities	20,865,703
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>591,969</b>
<b>NET POSITION</b>	
Net investment in capital assets	29,876,437
Restricted	538,108
Unrestricted	(5,737,780)
Total net position	\$ 24,676,765

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, 2018

	Expenses	Program Revenues		Net (Expense) Revenue and Change In Net Position
		Charges for Services	Operating Grants and Contributions	
General government	\$ 2,510,595	\$ 38,385	\$ -	\$ (2,472,210)
Public safety	4,959,767	149,694	-	(4,810,073)
Airport operations	10,000	-	-	(10,000)
Highways and streets	3,041,494	36,350	429,576	(2,575,568)
Sanitation	1,070,923	337,820	100,876	(632,227)
Health	3,709	-	-	(3,709)
Welfare	232,606	7,315	-	(225,291)
Culture and recreation	1,125,723	109,140	73,135	(943,448)
Conservation	25,196	-	-	(25,196)
Total governmental activities	<u>\$ 12,980,013</u>	<u>\$ 678,704</u>	<u>\$ 603,587</u>	<u>(11,697,722)</u>
General revenues:				
Taxes:				
Property				8,608,585
Other				417,014
Motor vehicle permit fees				2,020,170
Licenses and other fees				358,759
Grants and contributions not restricted to specific programs				702,723
Unrestricted investment earnings				95,554
Miscellaneous				523,488
Total general revenues				<u>12,726,293</u>
Change in net position				1,028,571
Net position, beginning, as restated (see Note 17)				23,648,194
Net position, ending				<u>\$ 24,676,765</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, 2018**

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 11,515,756	\$ 474,806	\$ 11,990,562
Investments	31,059	526,912	557,971
Taxes receivable (net)	2,172,031	-	2,172,031
Accounts receivable (net)	77,891	-	77,891
Intergovernmental receivable	-	951	951
Interfund receivable	951	-	951
Tax deeded property, subject to resale	90,827	-	90,827
<b>Total assets</b>	<b>\$ 13,888,515</b>	<b>\$ 1,002,669</b>	<b>\$ 14,891,184</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 122,761	\$ -	\$ 122,761
Accrued salaries and benefits	229,726	-	229,726
Intergovernmental payable	7,128,634	-	7,128,634
Interfund payable	-	951	951
<b>Total liabilities</b>	<b>7,481,121</b>	<b>951</b>	<b>7,482,072</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>462,302</b>	<b>14,223</b>	<b>476,525</b>
<b>FUND BALANCES</b>			
Nonspendable	90,827	75,444	166,271
Restricted	-	462,664	462,664
Committed	2,836,354	449,387	3,285,741
Assigned	866,725	-	866,725
Unassigned	2,151,186	-	2,151,186
<b>Total fund balances</b>	<b>5,945,092</b>	<b>987,495</b>	<b>6,932,587</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 13,888,515</b>	<b>\$ 1,002,669</b>	<b>\$ 14,891,184</b>

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 - Governmental Funds to the Statement of Net Position*  
*December 31, 2018*

Amounts reported for governmental activities in the Statement of Net Position are different because:		
Total fund balances of governmental funds (Exhibit C-1)	\$	6,932,587
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.		
Cost	\$	38,114,344
Less accumulated depreciation		<u>(8,237,907)</u>
		29,876,437
Pension and other postemployment benefit (OPEB) related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources related to pensions	\$	1,329,131
Deferred inflows of resources related to pensions		(550,279)
Deferred outflows of resources related to OPEB		104,636
Deferred inflows of resources related to OPEB		<u>(2,675)</u>
		880,813
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$	(951)
Payables		<u>951</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	\$	437,510
Allowance for uncollectible property taxes		<u>(66,000)</u>
		371,510
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Compensated absences	\$	951,020
Accrued landfill closure and postclosure care costs		2,238,810
Net pension liability		9,098,932
Other postemployment benefits		<u>1,095,820</u>
		<u>(13,384,582)</u>
Net position of governmental activities (Exhibit A)	\$	<u><u>24,676,765</u></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, 2018**

	General	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 9,049,832	\$ 31,927	\$ 9,081,759
Licenses and permits	2,378,929	-	2,378,929
Intergovernmental	1,054,477	251,833	1,306,310
Charges for services	349,625	329,079	678,704
Miscellaneous	482,650	136,392	619,042
Total revenues	<u>13,315,513</u>	<u>749,231</u>	<u>14,064,744</u>
<b>EXPENDITURES</b>			
Current:			
General government	2,360,604	36,999	2,397,603
Public safety	4,593,520	153,415	4,746,935
Airport operations	10,000	-	10,000
Highways and streets	2,570,796	177,579	2,748,375
Sanitation	1,108,155	185,598	1,293,753
Health	3,709	-	3,709
Welfare	235,388	-	235,388
Culture and recreation	958,322	171,025	1,129,347
Conservation	15,196	10,000	25,196
Capital outlay	644,083	1,669	645,752
Total expenditures	<u>12,499,773</u>	<u>736,285</u>	<u>13,236,058</u>
Excess of revenues over expenditures	<u>815,740</u>	<u>12,946</u>	<u>828,686</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	20,200	-	20,200
Transfers out	-	(20,200)	(20,200)
Total other financing sources (uses)	<u>20,200</u>	<u>(20,200)</u>	<u>-</u>
Net change in fund balances	835,940	(7,254)	828,686
Fund balances, beginning	5,109,152	994,749	6,103,901
Fund balances, ending	<u>\$ 5,945,092</u>	<u>\$ 987,495</u>	<u>\$ 6,932,587</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 - Governmental Funds to the Statement of Activities*  
*For the Fiscal Year Ended December 31, 2018*

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 828,686
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Capitalized capital outlay	\$ 1,564,189	
Depreciation expense	<u>(927,385)</u>	636,804
The net effect of various miscellaneous transactions involving capital assets (ie. sales and donations) is to decrease net position.		(83,817)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (20,200)	
Transfers out	<u>20,200</u>	-
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Change in deferred tax revenue	\$ (25,160)	
Change in allowance for uncollectible property taxes	<u>(31,000)</u>	(56,160)
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.		
Net decrease in compensated absences payable	\$ 14,484	
Increase in accrued landfill postclosure care costs	(30,492)	
Net change in net pension liability, and deferred outflows and inflows of resources related to pensions	(79,945)	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>(200,989)</u>	(296,942)
Changes in net position of governmental activities (Exhibit B)		<u>\$ 1,028,571</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, 2018**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 9,022,654	\$ 9,022,654	\$ 8,993,672	\$ (28,982)
Licenses and permits	2,401,408	2,401,408	2,378,929	(22,479)
Intergovernmental	2,686,036	1,036,036	1,054,477	18,441
Charges for services	338,680	338,680	349,625	10,945
Miscellaneous	1,243,616	443,616	441,864	(1,752)
Total revenues	<u>15,692,394</u>	<u>13,242,394</u>	<u>13,218,567</u>	<u>(23,827)</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,327,587	2,327,587	2,166,928	160,659
Public safety	5,056,785	4,606,785	4,537,928	68,857
Airport operations	10,000	10,000	10,000	-
Highways and streets	2,218,993	2,218,993	2,137,438	81,555
Sanitation	873,821	873,821	896,515	(22,694)
Health	3,350	3,350	3,709	(359)
Welfare	270,494	270,494	235,388	35,106
Culture and recreation	2,991,929	991,929	952,822	39,107
Conservation	17,040	17,040	15,196	1,844
Debt service:				
Interest	2,000	2,000	-	2,000
Capital outlay	860,000	860,000	860,000	-
Total expenditures	<u>14,631,999</u>	<u>12,181,999</u>	<u>11,815,924</u>	<u>366,075</u>
Excess of revenues over expenditures	<u>1,060,395</u>	<u>1,060,395</u>	<u>1,402,643</u>	<u>342,248</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	35,200	35,200	20,200	(15,000)
Transfers out	(1,490,002)	(1,490,002)	(1,490,002)	-
Total other financing sources (uses)	<u>(1,454,802)</u>	<u>(1,454,802)</u>	<u>(1,469,802)</u>	<u>(15,000)</u>
Net change in fund balances	<u>\$ (394,407)</u>	<u>\$ (394,407)</u>	(67,159)	<u>\$ 327,248</u>
Decrease in nonspendable fund balance			13,411	
Unassigned fund balance, beginning			2,576,444	
Unassigned fund balance, ending			<u>\$ 2,522,696</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, 2018**

	Private Purpose Trust	Agency
<b>ASSETS</b>		
Cash and cash equivalents	\$ 169,598	\$ 5,993,959
Investments	-	254,009
Total assets	<u>169,598</u>	<u>\$ 6,247,968</u>
<b>LIABILITIES</b>		
Intergovernmental	-	\$ 5,235,103
Due to others	-	1,012,865
Total liabilities	<u>-</u>	<u>\$ 6,247,968</u>
<b>NET POSITION</b>		
Held in trust for specific purposes	<u>\$ 169,598</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, 2018**

	Private Purpose Trust
<b>ADDITIONS</b>	
New funds	\$ 6,305
Interest	1,947
Total additions	8,252
<b>DEDUCTIONS</b>	
Scholarships	3,500
Change in net position	4,752
Net position, beginning	164,846
Net position, ending	\$ 169,598

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, 2018**

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

**DETAILED NOTES ON ALL FUNDS**

<b>Cash and Cash Equivalents</b> .....	3
<b>Investments</b> .....	4
<b>Taxes Receivable</b> .....	5
<b>Other Receivables</b> .....	6
<b>Capital Assets</b> .....	7
<b>Interfund Balances and Transfers</b> .....	8
<b>Intergovernmental Payables</b> .....	9
<b>Deferred Outflows/Inflows of Resources</b> .....	10
<b>Long-term Liabilities</b> .....	11
<b>Defined Benefit Pension Plan</b> .....	12
<b>Postemployment Benefits Other Than Pensions</b> .....	13
New Hampshire Retirement System (NHRS) .....	13-A
Town of Conway Retiree Health Benefit Program .....	13-B
<b>Encumbrances</b> .....	14
<b>Governmental Activities Net Position</b> .....	15
<b>Governmental Fund Balances</b> .....	16
<b>Prior Period Adjustment</b> .....	17
<b>Risk Management</b> .....	18
<b>Contingent Liabilities</b> .....	19
<b>Subsequent Events</b> .....	20

**TOWN OF CONWAY, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2018**

**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 U.S. Generally Accepted Accounting Principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

In 2018 the Town implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which changed the way other postemployment benefit (OPEB) liabilities and related expenses are recorded. See Note 1-N for further information on this pronouncement.

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 Basis of Accounting, and Measurement Focus***

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

***Government-wide Financial Statements*** – The Town’s government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental activities for the Town accompanied by a total column. Fiduciary activities of the Town are not included in these statements.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the Town’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the Town are reported in two categories: 1) charges for services, and 2) operating grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated.

***Governmental Fund Financial Statements*** – Include a balance sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying statement is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The Town has presented all major funds that met those qualifications.

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, with the exception of reimbursement-based grants, which use a period of one year. Property taxes, licenses and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to

**TOWN OF CONWAY, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2018**

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.

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, *Fund Balance Reporting and Governmental Fund Type Definitions*, guidance the DARE and expendable trust funds are consolidated in the general fund.

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 Project Fund (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 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. Both the Public Works Director and the Finance Director are required to be *Local Public Agency Certified*.

**Permanent Fund** – are held in the custody of the Trustees of Trust Funds and are used to account for resources held in trust for use by the Town. These can include legal trusts for which the interest on the corpus provides funds for the Town’s cemetery operations.

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

**Fiduciary Fund Financial Statements** – Include a Statement of Net Position and a Statement of Changes in Net Position. The Town’s fiduciary funds are private purpose trust and agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. These funds are accounted for on a spending or “economic resources” measurement focus and the accrual basis of accounting.

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-C Cash and Cash Equivalents***

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

**TOWN OF CONWAY, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2018**

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-D 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.

**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. 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. All of the Town's holdings in New Hampshire Public Deposit Investment Pool (NHPDIP) and corporate bonds would be examples of Level 2 investments.

**Level 3** – Inputs are significant unobservable inputs.

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.

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.

**Investments in Certain External Investment Pools** – In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, the Town held investments with the New Hampshire Public Deposit Investment Pool (NHPDIP) 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.

**TOWN OF CONWAY, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2018**

***1-E 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-F Capital Assets***

Capital assets include property, plant, and equipment, infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), and intangible assets (i.e. easements) which are reported in the government-wide financial statements. 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 government-wide Statement of Net Position.

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are carried at historical cost or estimated historical cost. When the cost of the capital assets cannot be determined from available records, estimated historical cost is used. Donated capital assets received on or prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

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

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

***1-G 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-H Property Taxes***

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year in accordance with RSA 76:15-a, *Semi-Annual Collection of Taxes in certain Towns and Cities*. Warrants for the year were issued on May 16, 2018 and October 24, 2018, and due on July 5, 2018 and December 6, 2018. 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 precinct and districts as listed out below, and Carroll County, which are remitted to these entities as required by law.

**TOWN OF CONWAY, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2018**

The Town net assessed valuation as of April 1, 2018 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 1,416,892,836
For all other taxes	\$ 1,468,345,836

The tax rates and amounts assessed for the year ended December 31, 2018 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$5.86	\$ 8,599,517
School portion:		
State of New Hampshire	\$2.35	3,327,640
Local	\$10.21	14,996,401
County portion	\$1.35	1,984,725
Total municipal portion		28,908,283
Precinct portions:		
Center Conway Fire	\$1.15	262,734
Conway Village Fire	\$1.97	398,368
East Conway Fire	\$1.82	57,820
Fire Assessment	\$1.10	360,582
Kearsarge Lighting	\$0.62	56,563
North Conway Water	\$2.36	1,417,519
Redstone Fire	\$0.87	67,382
Total precinct portion		2,620,968
Total		\$ 31,529,251

***1-I 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, 2018.

***1-J 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-K 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-L 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.

**TOWN OF CONWAY, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2018**

***1-M 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.

The schedules prepared by New Hampshire Retirement System, and audited by the plan's independent auditors, require management to make a number of estimates and assumptions related to the reported amounts. Due to the inherent nature and uncertainty of these estimates, actual results could differ, and the differences may be material.

***1-N Postemployment Benefits Other Than Pensions***

The Town maintains two separate other postemployment benefit plans (OPEB), as follows:

***New Hampshire Retirement System Plan*** – For the purposes of measuring the total other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Hampshire Retirement System OPEB Plan (the plan) and additions to/deductions from the plan's fiduciary net position has been determined on the same basis as they are reported by the New Hampshire Retirement System. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

***Single Employer Plan*** – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information has been determined based on the Town's actuarial report. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms.

***1-O Net Position/Fund Balances***

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

**Net investment in capital assets** – Consists of capital assets, net of accumulated depreciation. 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.

**Restricted net position** – Results when constraints placed on net position use are either externally imposed by a third party (statutory, bond covenant, or granting agency) or are imposed by law through constitutional provisions or enabling legislation. The Town typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a further project.

**Unrestricted net position** – Consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

***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 extent of the constraints placed on a government's fund balances are more transparent. The following classifications describe the relative strength of the spending constraints:

**Nonspendable** – 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** – 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.

**TOWN OF CONWAY, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2018**

**Committed** – 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** – 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** – Amounts that are available for any purpose. Positive amounts are reported only in the general fund.

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

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

***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 2018, \$394,407 of the beginning general fund unassigned fund balance was applied for this purpose.

**TOWN OF CONWAY, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2018**

**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)	\$ 13,238,767
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
To record revenue of the blended funds	40,786
Change in deferred tax revenue relating to 60-day revenue recognition recognized as revenue on the GAAP basis, but not on the budgetary basis	25,160
Change in allowance for uncollectible property taxes	31,000
Per Exhibit C-3 (GAAP basis)	<u>\$ 13,335,713</u>
Expenditures and other financing uses:	
Per Exhibit (budgetary basis)	\$ 13,305,926
Adjustment:	
Basis differences:	
Encumbrances, beginning	-
Encumbrances, ending	(863,870)
GASB Statement No. 54:	
To record expenditures of the blended funds during the year	1,547,719
To eliminate and recognize transfers between the general fund and blended funds	(1,490,002)
Per Exhibit C-3 (GAAP basis)	<u>\$ 12,499,773</u>

**2-C Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. Beginning net position for governmental activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, deferred inflows and outflows of resources, as follows:

	Local OPEB	State OPEB	Total OPEB
Change in total OPEB liability under current standards, January 1	\$ 245,319	\$ (559,750)	\$ (314,431)
Initial balance of deferred outflows of resources	-	44,890	44,890
Initial balance of deferred inflows of resources	-	(1,766)	(1,766)
Cumulative restatement related to GASB No. 75 implementation (see Note 17)	<u>\$ 245,319</u>	<u>\$ (516,626)</u>	<u>\$ (271,307)</u>

**TOWN OF CONWAY, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2018**

**DETAILED NOTES ON ALL FUNDS**

**NOTE 3 – CASH AND CASH EQUIVALENTS**

The Town's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held by the Town's agent in the Town's name. The FDIC currently insures the first \$250,000 of the Town's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by the collateral. As of year-end, the carrying amount of the Town's deposits was \$18,154,119 and the bank balances totaled \$18,359,337. Petty cash totaled \$842.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 11,990,562
Cash per Statement of Net Position - Fiduciary Fund (Exhibit E-1)	6,163,557
Total cash and cash equivalents	<u>\$ 18,154,119</u>

**NOTE 4 – INVESTMENTS**

Note 1-D 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 and maturities as of December 31, 2018:

Investments type:	Valuation	Fair Value	Less Than 1			Not
	Measurement Method		Year	1-5 Years	6-10 Years	
Corporate bonds	Level 2	\$ 39,533	\$ 9,954	\$ 19,599	\$ 9,980	\$ -
Fixed income exchange traded funds	Level 2	175,624	-	-	-	175,624
Fixed income mutual funds	Level 2	13,675	-	-	-	13,675
Municipal bonds	Level 2	9,928	-	9,928	-	-
NH Public Deposit Investment Pool	Level 2	573,220	-	-	-	573,220
Total fair value		<u>\$ 811,980</u>	<u>\$ 9,954</u>	<u>\$ 29,527</u>	<u>\$ 9,980</u>	<u>\$ 762,519</u>

**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. In the case of general or operating funds, maturities shall not exceed one year from date of purchase. In all other cases, maturities will be varied to ensure sufficient liquidity to meet demands of the Town or other entities without incurring penalties and to minimize market risk.

**Credit Risk** – The Town's formal investment policies do not directly address managing credit risk; however, state law limits investments as explained in Note 1-D. As of December 31, 2018, the Town's investments in corporate and municipal bonds had the following ratings:

Ratings per Moody's	Corporate	Municipal	Total
Aa	\$ -	\$ 9,928	\$ 9,928
A	29,712	-	29,712
Baa	9,821	-	9,821
Totals	<u>\$ 39,533</u>	<u>\$ 9,928</u>	<u>\$ 49,461</u>

**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. The Town's investment policies do not directly address custodial credit risk policies for investments.

**TOWN OF CONWAY, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2018**

**Concentration of Credit Risk** – The Town places no limit on the amount it may invest in any one issuer. No individual investment in any one issuer exceeds the Town’s total investment balance at December 31, 2018.

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 557,971
Investments per Statement of Net Position - Fiduciary Funds (Exhibit E-1)	<u>254,009</u>
Total investments	<u><u>\$ 811,980</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, 2018. The amount has been reduced by an allowance for an estimated uncollectible amount of \$66,000. Taxes receivable by year are as follows:

	As reported on:	
	<u>Exhibit A</u>	<u>Exhibit C-1</u>
Property:		
Levy of 2018	\$ 1,536,620	\$ 1,536,620
Unredeemed (under tax lien):		
Levy of 2017	380,630	380,630
Levy of 2016	200,642	200,642
Levies of 2015 and prior	51,298	51,298
Yield	2,790	2,790
Land use change	51	51
Less: allowance for estimated uncollectible taxes	<u>(66,000) *</u>	<u>-</u>
Net taxes receivable	<u><u>\$ 2,106,031</u></u>	<u><u>\$ 2,172,031</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-B. However, the allowance is recognized under the full accrual basis of accounting (Exhibits A and B).

**NOTE 6 – OTHER RECEIVABLES**

Receivables at December 31, 2018, 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, 2018 for the Town’s individual major fund and nonmajor funds in the aggregate including applicable allowances for uncollectible accounts are as follows:

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:			
Accounts	\$ 77,993	\$ -	\$ 77,993
Intergovernmental	-	951	951
Gross receivables	<u>77,993</u>	<u>951</u>	<u>78,944</u>
Less: allowance for uncollectibles	<u>(102)</u>	<u>-</u>	<u>(102)</u>
Net total receivables	<u><u>\$ 77,891</u></u>	<u><u>\$ 951</u></u>	<u><u>\$ 78,842</u></u>

**TOWN OF CONWAY, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2018**

**NOTE 7 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2018 is as follows:

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, ending</u>
At cost:				
Not being depreciated:				
Land	\$ 7,524,933	\$ -	\$ -	\$ 7,524,933
Being depreciated:				
Buildings and building improvements	6,242,704	76,722	-	6,319,426
Machinery, equipment, and vehicles	5,082,013	918,632	(498,317)	5,502,328
Infrastructure	18,198,822	568,835	-	18,767,657
Total capital assets being depreciated	<u>29,523,539</u>	<u>1,564,189</u>	<u>(498,317)</u>	<u>30,589,411</u>
Total all capital assets	<u>37,048,472</u>	<u>1,564,189</u>	<u>(498,317)</u>	<u>38,114,344</u>
Less accumulated depreciation:				
Buildings and building improvements	(1,717,039)	(138,437)	-	(1,855,476)
Machinery, equipment, and vehicles	(2,105,521)	(283,648)	414,500	(1,974,669)
Infrastructure	(3,902,462)	(505,300)	-	(4,407,762)
Total accumulated depreciation	<u>(7,725,022)</u>	<u>(927,385)</u>	<u>414,500</u>	<u>(8,237,907)</u>
Net book value, capital assets being depreciated	<u>21,798,517</u>	<u>636,804</u>	<u>(83,817)</u>	<u>22,351,504</u>
Net book value, all governmental activities capital assets	<u>\$ 29,323,450</u>	<u>\$ 636,804</u>	<u>\$ (83,817)</u>	<u>\$ 29,876,437</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	\$ 26,610
Public safety	75,303
Highways and streets	669,275
Sanitation	81,886
Culture and recreation	74,311
Total depreciation expense	<u>\$ 927,385</u>

**NOTE 8 – INTERFUND BALANCES AND TRANSFERS**

**Interfund Balances** - The composition of interfund balances as of December 31, 2018 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor	<u>\$ 951</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, 2018 is as follows:

	<u>Transfers In:</u>
	General
	<u>Fund</u>
Transfers out:	
Nonmajor fund	<u>\$ 20,200</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, 2018**

**NOTE 9 – INTERGOVERNMENTAL PAYABLES**

Amounts due to other governments of \$12,363,737 at December 31, 2018 consist of the following:

General fund:	
Balance due to the Conway School District	\$ 7,124,041
Miscellaneous fees due to the State of New Hampshire	4,593
Total general fund	<u>7,128,634</u>
Agency fund:	
Center Conway Fire Precinct	233,603
Conway School District	1,612,804
Conway Village Fire District	712,814
East Conway Fire Precinct	61,990
Kearsarge Lighting Precinct	32,970
North Conway Water Precinct	2,481,684
Redstone Fire Precinct	99,238
Total agency fund	<u>5,235,103</u>
Total intergovernmental payables due	<u>\$ 12,363,737</u>

**NOTE 10 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

Deferred outflows of resources are as follows:

	Government- wide
Amounts related to pensions, see Note 12	\$ 1,329,131
Amounts related to OPEB, see Note 13	104,636
	<u>\$ 1,433,767</u>

Deferred inflows of resources are as follows:

	Government- wide	General Fund	Nonmajor Governmental Funds
Property taxes not collected within 60 days of the fiscal year-end	\$ -	\$ 437,510 *	\$ -
Property taxes collected in advance of commitment	24,792	24,792	-
Grants and donations in advance of eligible expenditures being made	14,223	-	14,223
Amounts related to pensions, see Note 12	550,279	-	-
Amounts related to OPEB, see Note 13	2,675	-	-
Total deferred inflows of resources	<u>\$ 591,969</u>	<u>\$ 462,302</u>	<u>\$ 14,223</u>

\*Not recognized on the full accrual basis of accounting.

**NOTE 11 – LONG-TERM LIABILITIES**

Changes in the Town's long-term liabilities consisted of the following for the year ended December 31, 2018:

	Balance January 1, 2018 (as restated)	Additions	Reductions	Balance December 31, 2018	Due Within One Year
Compensated absences	\$ 965,504	\$ 6,874	\$ (21,358)	\$ 951,020	\$ 84,845
Accrued landfill closure and postclosure care costs	2,208,318	30,492	-	2,238,810	-
Net pension liability	9,543,872	-	(444,940)	9,098,932	-
Net other postemployment benefits	835,994	282,234	(22,408)	1,095,820	-
Total long-term liabilities	<u>\$ 13,553,688</u>	<u>\$ 319,600</u>	<u>\$ (488,706)</u>	<u>\$ 13,384,582</u>	<u>\$ 84,845</u>

**TOWN OF CONWAY, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2018**

**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 \$2,238,810 as of December 31, 2018, which is based on 41% 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 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, 2018. 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 \$1,846,376.

**NOTE 12 – 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 ¼ 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 2018, the Town contributed 25.33% for police, 27.79% for fire and 11.08% for other employees. The contribution requirement for the fiscal year 2018 was \$792,350, which was paid in full.

**TOWN OF CONWAY, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2018**

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions** – At December 31, 2018 the Town reported a liability of \$9,098,932 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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 all participating towns and school districts, actuarially determined. At June 30, 2018, the Town’s proportion was .18896261% which was a decrease of .00509769% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Town recognized pension expense of \$901,450. At December 31, 2018 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	\$ 239,845	\$ 266,048
Changes in assumptions	629,691	-
Net difference between projected and actual investment earnings on pension plan investments	-	210,557
Differences between expected and actual experience	72,626	73,674
Contributions subsequent to the measurement date	386,969	-
Total	\$ 1,329,131	\$ 550,279

The \$386,969 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 December 31, 2019. 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,	
2019	\$ 358,135
2020	287,162
2021	(181,368)
2022	(72,046)
2023	-
Thereafter	-
Totals	\$ 391,883

**Actuarial Assumptions** – The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2017, using the following actuarial assumptions which, accordingly apply to 2018 measurements:

- Inflation: 2.5%
- Salary increases: 5.6% average, including inflation
- Wage inflation 3.25%
- 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, 2018 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

**TOWN OF CONWAY, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2018**

**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. Following is a table presenting target allocations and long-term rates of return for 2018:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return 2018
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%	4.50%
Emerging Int'l Equities	7.00%	6.00%
Total international equity	20.00%	
Core Bonds	4.50%	0.50%
Short Duration	2.50%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	1.80%
Absolute Return Fixed Income	7.00%	1.14%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.25%
Opportunistic	5.00%	2.15%
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, 2018	\$ 12,106,204	\$ 9,098,932	\$ 6,578,747

**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.

**TOWN OF CONWAY, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2018**

**NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**13-A New Hampshire Retirement System (NHRS)**

**Plan Description** – The New Hampshire Retirement System (NHRS or the System) administers a cost-sharing multiple-employer other postemployment benefit plan medical subsidy healthcare plan (OPEB Plan). For additional system information, please refer to the 2018 Comprehensive Annual Financial Report, which can be found on the system’s website at [www.nhrs.org](http://www.nhrs.org).

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

Group I benefits are based on creditable service, age and retirement date. Group II benefits are based on hire date, age and creditable service. The OPEB plan is closed to new entrants.

Maximum medical subsidy rates paid during fiscal year 2018 were as follows:

For qualified retirees not eligible for Medicare, the amounts were \$375.56 for a single-person plan and \$751.12 for a two-person plan.

For those qualified retirees eligible for Medicare, the amounts were \$236.84 for a single-person plan and \$473.68 for a two-person plan.

**Contributions** – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year 2018, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For fiscal year 2018, the Town contributed 4.10% for police and fire, and 0.30% for other employees. The contribution requirement for the fiscal year 2018 was \$81,156, which was paid in full.

**OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** – At December 31, 2018, the Town reported a liability of \$841,984 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Town’s proportion of the net OPEB liability was based on a projection of the Town’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2018, the Town’s proportion was .18390126% which was an increase of .06148031% from its proportion measured as of June 30, 2017.

**TOWN OF CONWAY, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2018**

For the year ended December 31, 2018, the Town recognized OPEB expense of \$304,853. At December 31, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 59,830	\$ -
Differences between expected and actual experience	4,942	2,675
Contributions subsequent to the measurement date	39,864	-
Total	\$ 104,636	\$ 2,675

The \$39,864 reported as deferred outflows of resources related to OPEB results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending December 31,	
2019	\$ 63,938
2020	(835)
2021	(835)
2022	(171)
2023	-
Thereafter	-
Totals	\$ 62,097

**Actuarial Assumptions** – The total OPEB liability in this report is based on an actuarial valuation performed as of June 30, 2018 and a measurement date of June 30, 2017. The total OPEB liability was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Price inflation:	2.5 % per year
Wage inflation:	3.25 % per year
Salary increases:	5.6 % average, including inflation
Investment rate of return:	7.25 % net of OPEB plan investment expense, including inflation
Health care trend rate:	Not applicable, given that the benefits are fixed stipends

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

The actuarial assumptions used in the June 30, 2017 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 OPEB 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, 2018**

Following is a table presenting target allocations and long-term rates of return for 2018:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return 2018
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%	4.50%
Emerging Int'l Equities	7.00%	6.00%
Total international equity	20.00%	
Core Bonds	4.50%	0.50%
Short Duration	2.50%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	1.80%
Absolute Return Fixed Income	7.00%	1.14%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.25%
Opportunistic	5.00%	2.15%
Total alternative investments	15.00%	
Real estate	10.00%	3.25%
Total	100.00%	

**Discount Rate** – The discount rate used to measure the total OPEB liability as of June 30, 2018 was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statute RSA 100-A:16 and that plan member contributions will be made under RSA 100-A:16. Based on those assumptions, the OPEB Plan’s fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

**Sensitivity of the Town’s Proportionate Share of the OPEB Liability to Changes in the Discount Rate** – The following table presents the Town’s proportionate share of the OPEB liability calculated using the discount rate of 7.25% as well as what the Town’s proportionate share of the OPEB 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, 2018	\$ 876,341	\$ 841,984	\$ 745,745

**Sensitivity of the Town’s Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Assumption** – GASB No. 75 requires the sensitivity of the OPEB liability to the healthcare cost trend assumption. Since the medical subsidy benefits are fixed stipends, there is no sensitivity to changes in the healthcare cost trend assumption.

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

**TOWN OF CONWAY, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2018**

**13-B Town of Conway Retiree Health Benefit Program**

**Plan Description** – GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires governments to account for other postemployment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense on the Statement of Activities when a future retiree earns their postemployment benefits, rather than when they use their postemployment benefit. The postemployment benefit liability is recognized on the Statement of Net Position over time.

**Benefits Provided** – The Town provides postemployment healthcare benefits for certain eligible retirees. The Town provides medical benefits to its eligible retirees. The benefits are provided through the New Hampshire Inter-Local Trust.

**Employees Covered by Benefit Terms** – At December 31, 2018 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	20
Active employees	71
Total participants covered by OPEB plan	91

**Total OPEB Liability** – The Town’s total OPEB liability of \$253,836 was measured as of December 31, 2018, and was determined by an actuarial valuation of that date.

**Actuarial Assumptions and Other Inputs** – The total OPEB liability of \$253,836 in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate:	3.51%
Healthcare Cost Trend Rates:	
Current Year Trend	4.60%
Second Year Trend	4.70%
Decrement	0.10%
Ultimate Trend	4.70%
Year Ultimate Trend is Reached	2024
Salary Increases:	2.00%

The discount rate was based on the index provided by *Bond Buyer 20-Bond General Obligation Index* based on the 20-year AA municipal bond rate as of July 1, 2016.

Mortality rates were based on the RP-2000 Combined Health Participant Table Projected 10 years using Projection Scale AA.

**Changes in the Total OPEB Liability**

	December 31,
	2018
OPEB liability beginning of year	\$ 276,244
Changes for the year:	
Service cost	498
Interest	10,461
Assumption changes	2,964
Difference between actual and expected experience	(36,331)
OPEB liability end of year	\$ 253,836

**TOWN OF CONWAY, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2018**

**Sensitivity of the Town's OPEB Liability to Changes in the Discount Rate** – The December 31, 2018 actuarial valuation was prepared using a discount rate of 3.51%. If the discount rate were 1% higher than what was used the OPEB liability would decrease to \$243,354 or by 4.13%. If the discount rate were 1% lower than what was used the OPEB liability would increase to \$265,799 or by 4.71%.

	Discount Rate		
	1% Decrease	Baseline 3.51%	1% Increase
Total OPEB Liability	\$ 265,799	\$ 253,836	\$ 243,354

**Sensitivity of the Town's OPEB Liability to Changes in the Healthcare Cost Trend Rates** – The December 31, 2018 actuarial valuation was prepared using an initial trend rate of 4.60%. If the trend rate were 1% higher than what was used the OPEB liability would increase to \$273,153 or by 7.61%. If the trend rate were 1% lower than what was used the OPEB liability would decrease to \$236,782 or by 6.72%.

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 4.60%	1% Increase
Total OPEB Liability	\$ 236,782	\$ 253,836	\$ 273,153

**OPEB Expense**– For the year ended December 31, 2018, the Town recognized an OPEB benefit of \$22,408.

**NOTE 14 – ENCUMBRANCES**

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at December 31, 2018 and are as follows:

General fund:	
Sanitation	\$ 12,860
Capital outlay	851,010
Total encumbrances	<u>\$ 863,870</u>

**NOTE 15 – GOVERNMENTAL ACTIVITIES NET POSITION**

Governmental activities net position reported on the Statement of Net Position at December 31, 2018 include the following:

Net investment in capital assets:	
Net book value, all governmental activities capital assets	\$ 29,876,437
Restricted net position:	
Public library	297,357
Hubbard and Davis Public Forest Reserve	14,644
Grants	5,600
Drug forfeiture	9,170
Nonexpendable permanent funds	75,444
Expendable permanent funds	135,893
Total restricted net position	<u>538,108</u>
Unrestricted	(5,737,780)
Total net position	<u>\$ 24,676,765</u>

**TOWN OF CONWAY, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2018**

**NOTE 16 – GOVERNMENTAL FUND BALANCES**

Governmental fund balances reported on the fund financial statements at December 31, 2018 include the following:

	General Fund	Nonmajor Funds	Total Governmental Funds
<b>Nonspendable:</b>			
Tax deeded property	\$ 90,827	\$ -	\$ 90,827
Permanent fund - principal balance	-	75,444	75,444
Total nonspendable fund balance	<u>90,827</u>	<u>75,444</u>	<u>166,271</u>
<b>Restricted:</b>			
Public library	-	297,357	297,357
Hubbard and Davis Public Forest Reserve	-	14,644	14,644
Grants	-	5,600	5,600
Drug forfeiture	-	9,170	9,170
Permanent fund - income balance	-	135,893	135,893
Total restricted fund balance	<u>-</u>	<u>462,664</u>	<u>462,664</u>
<b>Committed:</b>			
Expendable trust	2,836,354	-	2,836,354
Conservation commission	-	273,508	273,508
Police commercial detail	-	41,289	41,289
Recycling special waste	-	11,004	11,004
Recreation	-	123,586	123,586
Total committed fund balance	<u>2,836,354</u>	<u>449,387</u>	<u>3,285,741</u>
<b>Assigned:</b>			
Encumbrances	863,870	-	863,870
D.A.R.E.	2,855	-	2,855
Total assigned fund balance	<u>866,725</u>	<u>-</u>	<u>866,725</u>
<b>Unassigned</b>			
	<u>2,151,186</u>	<u>-</u>	<u>2,151,186</u>
Total governmental fund balances	<u>\$ 5,945,092</u>	<u>\$ 987,495</u>	<u>\$ 6,932,587</u>

**NOTE 17 – PRIOR PERIOD ADJUSTMENT**

Net position at January 1, 2018 was restated to give retroactive effect to the following prior period adjustment:

	Government-wide Statements
To restate for the cumulative changes related to implementation of GASB Statement No. 75, see Note 2-C	\$ (271,307)
Net position, as previously reported	23,919,501
Net position, as restated	<u>\$ 23,648,194</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 2018, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs.

The New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2018 to December 31, 2018 by Primex<sup>3</sup>, 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 workers' compensation section of the self-insurance membership agreement permits Primex<sup>3</sup> to

**TOWN OF CONWAY, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2018**

make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. At this time, Primex<sup>3</sup> foresees no likelihood of any additional assessment for this or any prior year.

The Town continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

***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 July 15, 2019, the date the December 31, 2018 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 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, 2018*

	December 31,					
	2013	2014	2015	2016	2017	2018
Town's proportion of the net pension liability	0.18902336%	0.19109216%	0.18348652%	0.18859997%	0.19406030%	0.18896261%
Town's proportionate share of the net pension liability	\$ 8,135,158	\$ 7,172,808	\$ 7,268,868	\$ 10,028,983	\$ 9,543,872	\$ 9,098,932
Town's covered payroll	\$ 4,052,959	\$ 4,104,417	\$ 4,196,038	\$ 4,542,885	\$ 4,877,667	\$ 4,939,121
Town's proportionate share of the net pension liability as a percentage of its covered payroll	200.72%	174.76%	173.23%	220.76%	195.66%	184.22%
Plan fiduciary net position as a percentage of the total pension liability	59.81%	66.32%	65.47%	58.30%	62.66%	64.73%

The Note to the Required Supplementary Information – Pension Liability is an integral part of this schedule.

**EXHIBIT G**  
**TOWN OF CONWAY, NEW HAMPSHIRE**  
*Schedule of Town Contributions - Pensions*  
*New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*  
*For the Fiscal Year Ended December 31, 2018*

	December 31,					
	2013	2014	2015	2016	2017	2018
Contractually required contribution	\$ 470,013	\$ 619,947	\$ 615,576	\$ 675,337	\$ 710,927	\$ 798,665
Contributions in relation to the contractually required contributions	470,013	619,947	615,576	675,337	710,927	798,665
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 4,052,959	\$ 4,104,417	\$ 4,196,038	\$ 4,542,885	\$ 4,877,667	\$ 4,939,121
Contributions as a percentage of covered payroll	11.60%	15.10%	14.67%	14.87%	14.58%	16.17%

The Note to the Required Supplementary Information – Pension Liability is an integral part of this schedule.

**TOWN OF CONWAY, NEW HAMPSHIRE**

**NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –  
PENSION LIABILITY**

**FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2018**

***Schedule of the Town's Proportionate Share of Net Pension Liability and  
Schedule of Town Contributions - Pensions***

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits F and G represent the actuarial determined costs associated with the Town's pension plan at December 31, 2018. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

**Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2018:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	21 years beginning July 1, 2018 (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	3.62% per year
Investment Rate of Return	7.25% per year, net of investment expenses, including inflation
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 table for males and females, adjusted for mortality improvements using Scale MP -2015, based in the last experience study.

**Other Information:**

Notes	Contribution rates for fiscal year 2018 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.
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**EXHIBIT H**  
**TOWN OF CONWAY, NEW HAMPSHIRE**  
*Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefit Plan Liability*  
*New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*  
*For the Fiscal Year Ended December 31, 2018*

	December 31,		
	2016	2017	2018
Town's proportion of the net OPEB liability	0.11888939%	0.12242095%	0.18390126%
Town's proportionate share of the net OPEB liability (asset)	\$ 575,550	\$ 559,750	\$ 841,984
Town's covered payroll	\$ 4,542,885	\$ 4,877,667	\$ 4,939,121
Town's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	12.67%	11.48%	17.05%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

**EXHIBIT I**  
**TOWN OF CONWAY, NEW HAMPSHIRE**  
*Schedule of Town Contributions - Other Postemployment Benefits*  
*New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*  
*For the Fiscal Year Ended December 31, 2018*

	December 31,		
	2016	2017	2018
Contractually required contribution	\$ 69,082	\$ 72,559	\$ 81,345
Contributions in relation to the contractually required contribution	69,082	72,559	81,345
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Town's covered payroll	\$ 4,542,885	\$ 4,877,667	\$ 4,939,121
Contributions as a percentage of covered payroll	1.52%	1.49%	1.65%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

**EXHIBIT J**  
**TOWN OF CONWAY, NEW HAMPSHIRE**  
*Schedule of Changes in the Town's Total Other Postemployment Benefits Liability and Related Ratios*  
**Retiree Health Benefit Program**  
**For the Fiscal Year Ended December 31, 2018**

	December 31, 2018
OPEB liability, beginning of year	\$ 276,244
Changes for the year:	
Service cost	498
Interest	10,461
Assumption changes and difference between actual and expected experience	(33,367)
OPEB liability, end of year	\$ 253,836
Covered payroll	\$ 4,902,196
Total OPEB liability as a percentage of covered payroll	5.18%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

**TOWN OF CONWAY, NEW HAMPSHIRE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –**  
**OTHER POSTEMPLOYMENT BENEFIT LIABILITY**  
**FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2018**

***Schedule of the Town’s Proportionate Share of Net Other Postemployment Benefits Liability and Schedule of Town Contributions – Other Postemployment Benefits***

As required by GASB Statement No. 75, Exhibits H and I represent the actuarial determined costs associated with the Town’s other postemployment benefits at December 31, 2018. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

There were no changes to benefit terms or assumptions in the current actuarial valuation report.

**Methods and Assumptions:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	Not applicable under statutory funding
Asset Valuation Method	5-year smooth market: 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	3.62% per year
Investment Rate of Return	7.25% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions
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 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

***Schedule of Changes in Town’s Total Other Postemployment Benefits Liability and Related Ratios***

As required by GASB Statement No. 75, Exhibit J represents the actuarial determined costs associated with the Town’s other postemployment benefits at December 31, 2018. The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

***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, 2018*

	Estimated	Actual	Variance Positive (Negative)
<b>Taxes:</b>			
Property	\$ 8,651,559	\$ 8,608,585	\$ (42,974)
Land use change	23,252	31,927	8,675
Yield	47,043	60,877	13,834
Excavation	57	57	-
Payment in lieu of taxes	20,743	20,909	166
Interest and penalties on taxes	280,000	271,317	(8,683)
Total from taxes	<u>9,022,654</u>	<u>8,993,672</u>	<u>(28,982)</u>
<b>Licenses, permits, and fees:</b>			
Business licenses, permits, and fees	16,470	22,741	6,271
Motor vehicle permit fees	2,049,263	2,020,170	(29,093)
Building permits	161,000	156,778	(4,222)
Other	174,675	179,240	4,565
Total from licenses, permits, and fees	<u>2,401,408</u>	<u>2,378,929</u>	<u>(22,479)</u>
<b>Intergovernmental:</b>			
State:			
Meals and rooms distribution	519,883	519,883	-
Highway block grant	259,008	258,862	(146)
Other	6,899	6,899	-
Other governments	250,246	268,833	18,587
Total from intergovernmental	<u>1,036,036</u>	<u>1,054,477</u>	<u>18,441</u>
<b>Charges for services:</b>			
Income from departments	<u>338,680</u>	<u>349,625</u>	<u>10,945</u>
<b>Miscellaneous:</b>			
Sale of municipal property	65,135	59,809	(5,326)
Interest on investments	9,200	10,252	1,052
Other	369,281	371,803	2,522
Total from miscellaneous	<u>443,616</u>	<u>441,864</u>	<u>(1,752)</u>
<b>Other financing sources:</b>			
Transfers in	<u>35,200</u>	<u>20,200</u>	<u>(15,000)</u>
Total revenues and other financing sources	13,277,594	<u>\$ 13,238,767</u>	<u>\$ (38,827)</u>
Unassigned fund balance used to reduce tax rate	394,407		
Total revenues, other financing sources, and use of fund balance	<u>\$ 13,672,001</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, 2018**

	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:				
General government:				
Executive	\$ 260,509	\$ 243,884	\$ -	\$ 16,625
Election and registration	129,468	126,238	-	3,230
Financial administration	307,563	287,870	-	19,693
Revaluation of property	148,254	142,930	-	5,324
Legal	115,000	65,584	-	49,416
Personnel administration	1,029,065	945,852	-	83,213
Planning and zoning	207,651	204,075	-	3,576
General government buildings	94,609	115,027	-	(20,418)
Insurance, not otherwise allocated	35,468	35,468	-	-
Total general government	<u>2,327,587</u>	<u>2,166,928</u>	<u>-</u>	<u>160,659</u>
Public safety:				
Police	3,919,478	3,847,263	-	72,215
Ambulance	234,048	234,048	-	-
Fire	361,289	359,789	-	1,500
Building inspection	86,670	86,183	-	487
Emergency management	5,300	10,645	-	(5,345)
Total public safety	<u>4,606,785</u>	<u>4,537,928</u>	<u>0</u>	<u>68,857</u>
Airport operations	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>-</u>
Highways and streets:				
Administration	78,147	72,267	-	5,880
Highways and streets	2,140,846	2,065,171	-	75,675
Total highways and streets	<u>2,218,993</u>	<u>2,137,438</u>	<u>-</u>	<u>81,555</u>
Sanitation:				
Administration	78,147	72,267	-	5,880
Solid waste disposal	795,674	811,388	12,860	(28,574)
Total sanitation	<u>873,821</u>	<u>883,655</u>	<u>12,860</u>	<u>(22,694)</u>
Health:				
Administration	<u>3,350</u>	<u>3,709</u>	<u>-</u>	<u>(359)</u>
Welfare:				
Administration and direct assistance	59,858	59,689	-	169
Vendor payments and other	210,636	175,699	-	34,937
Total welfare	<u>270,494</u>	<u>235,388</u>	<u>-</u>	<u>35,106</u>
Culture and recreation:				
Parks and recreation	394,074	372,298	-	21,776
Library	510,245	491,156	-	19,089
Patriotic purposes	22,610	24,368	-	(1,758)
Other	65,000	65,000	-	-
Total culture and recreation	<u>991,929</u>	<u>952,822</u>	<u>-</u>	<u>39,107</u>
Conservation	<u>17,040</u>	<u>15,196</u>	<u>-</u>	<u>1,844</u>
Debt service:				
Interest on tax anticipation notes	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>2,000</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, 2018*

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Encumbered to Subsequent Year</u>	<u>Variance Positive (Negative)</u>
Capital outlay	860,000	8,990	851,010	-
Other financing uses:				
Transfers out	1,490,002	1,490,002	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 13,672,001</u>	<u>\$ 12,442,056</u>	<u>\$ 863,870</u>	<u>\$ 366,075</u>

**SCHEDULE 3**  
**TOWN OF CONWAY, NEW HAMPSHIRE**  
**Major General Fund**  
**Schedule of Changes in Unassigned Fund Balance**  
**For the Fiscal Year Ended December 31, 2018**

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)	\$ 2,576,444
Changes:	
Unassigned fund balance used to reduce 2018 tax rate	(394,407)
2018 Budget summary:	
Revenue shortfall (Schedule 1)	\$ (38,827)
Unexpended balance of appropriations (Schedule 2)	<u>366,075</u>
2018 Budget surplus	327,248
Decrease in nonspendable fund balance	<u>13,411</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)	2,522,696
<b>Reconciliation on Non-GAAP Budgetary Basis to GAAP Basis</b>	
To record deferred property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis	(437,510)
Elimination of the allowance for uncollectible taxes	<u>66,000</u>
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)	<u><u>\$ 2,151,186</u></u>

**SCHEDULE 4**  
**TOWN OF CONWAY, NEW HAMPSHIRE**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**December 31, 2018**

	Special Revenue Funds							Local Public Agency Project Fund	Permanent Fund	Total	
	Public Library	Hubbard and Davis Public Forest Reserve	Conservation Commission	Grants	Police Commercial Detail	Recycling Special Waste	Recreation				Drug Forfeiture
<b>ASSETS</b>											
Cash and cash equivalents	\$ 58,597	\$ -	\$ -	\$ 19,823	\$ 41,289	\$ 11,004	\$ 123,586	\$ 9,170	\$ -	\$ 211,337	\$ 474,806
Investments	238,760	14,644	273,508	-	-	-	-	-	-	-	526,912
Intergovernmental receivable	-	-	-	-	-	-	-	-	951	-	951
Total assets	<u>\$297,357</u>	<u>\$ 14,644</u>	<u>\$273,508</u>	<u>\$ 19,823</u>	<u>\$ 41,289</u>	<u>\$ 11,004</u>	<u>\$123,586</u>	<u>\$ 9,170</u>	<u>\$ 951</u>	<u>\$211,337</u>	<u>\$ 1,002,669</u>
<b>LIABILITIES</b>											
Interfund payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 951	\$ -	\$ 951
<b>DEFERRED INFLOWS OF RESOURCES</b>	-	-	-	14,223	-	-	-	-	-	-	14,223
<b>FUND BALANCES</b>											
Nonspendable	-	-	-	-	-	-	-	-	-	75,444	75,444
Restricted	297,357	14,644	-	5,600	-	-	-	9,170	-	135,893	462,664
Committed	-	-	273,508	-	41,289	11,004	123,586	-	-	-	449,387
Total fund balances	<u>297,357</u>	<u>14,644</u>	<u>273,508</u>	<u>5,600</u>	<u>41,289</u>	<u>11,004</u>	<u>123,586</u>	<u>9,170</u>	<u>-</u>	<u>211,337</u>	<u>987,495</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$297,357</u>	<u>\$ 14,644</u>	<u>\$273,508</u>	<u>\$ 19,823</u>	<u>\$ 41,289</u>	<u>\$ 11,004</u>	<u>\$123,586</u>	<u>\$ 9,170</u>	<u>\$ 951</u>	<u>\$211,337</u>	<u>\$ 1,002,669</u>

**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, 2018**

	Special Revenue Funds							Local Public Agency		Total	
	Hubbard and Davis Public		Conservation Commission	Grants	Police	Recycling	Drug	Project	Permanent		
	Public Library	Forest Reserve			Commercial Detail	Special Waste					Recreation
<b>REVENUES</b>											
Taxes	\$ -	\$ -	\$ 31,927	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,927	
Intergovernmental	-	-	-	250,164	-	-	-	1,669	-	251,833	
Charges for services	-	-	-	-	66,158	153,781	109,140	-	-	329,079	
Miscellaneous	57,921	267	13,573	60,840	5	5	13	1,295	-	136,392	
Total revenues	57,921	267	45,500	311,004	66,163	153,786	109,153	1,295	1,669	749,231	
<b>EXPENDITURES</b>											
Current:											
55 General government	-	-	-	33,639	-	-	-	-	-	3,360	36,999
Public safety	-	-	-	94,187	59,228	-	-	-	-	-	153,415
Highways and streets	-	-	-	177,579	-	-	-	-	-	-	177,579
Sanitation	-	-	-	-	-	185,598	-	-	-	-	185,598
Culture and recreation	69,824	-	-	-	-	-	101,201	-	-	-	171,025
Conservation	-	-	10,000	-	-	-	-	-	-	-	10,000
Capital outlay	-	-	-	-	-	-	-	-	1,669	-	1,669
Total expenditures	69,824	-	10,000	305,405	59,228	185,598	101,201	-	1,669	3,360	736,285
Excess (deficiency) of revenues over (under) expenditures	(11,903)	267	35,500	5,599	6,935	(31,812)	7,952	1,295	-	(887)	12,946
<b>OTHER FINANCING USES</b>											
Transfers out	(20,200)	-	-	-	-	-	-	-	-	-	(20,200)
Net change in fund balances	(32,103)	267	35,500	5,599	6,935	(31,812)	7,952	1,295	-	(887)	(7,254)
Fund balances, beginning	329,460	14,377	238,008	1	34,354	42,816	115,634	7,875	-	212,224	994,749
Fund balances, ending	\$ 297,357	\$ 14,644	\$ 273,508	\$ 5,600	\$ 41,289	\$ 11,004	\$ 123,586	\$ 9,170	\$ -	\$ 211,337	\$ 987,495