

**TOWN OF CONWAY,  
NEW HAMPSHIRE**

**ANNUAL FINANCIAL REPORT**

**AS OF AND FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2021**

**TOWN OF CONWAY, NEW HAMPSHIRE**  
**ANNUAL FINANCIAL REPORT**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2021**

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# 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

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Town of Conway as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and aggregate remaining fund information of the Town of Conway as of December 31, 2021, 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.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Conway and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

The Town of Conway's 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Conway's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Conway's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Conway's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

**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.

**Supplementary Information** – Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Conway's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2023 on our consideration of the Town of Conway's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Conway's internal control over financial reporting and compliance.

*Sheryl A. Pratt, CPA*

January 9, 2023  
Concord, New Hampshire

PLODZIK & 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 twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures, and changes in fund balances for the general fund which includes the expendable trust 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, machinery, vehicles and equipment all net of depreciation. Land is included, yet not depreciated.

**Comparative Statement of Capital Assets**

Infrastructure	19,554,303	18,767,657	786,646	4.19%
Total capital assets being depreciated	33,777,967	32,255,649	1,522,318	4.72%
Total all capital assets	44,470,442	40,282,145	4,188,297	10.40%
Less accumulated depreciation:				
Buildings and building improvements	(2,335,948)	(2,174,629)	(161,319)	7.42%
Machinery, equipment, and vehicles	(3,114,636)	(2,730,117)	(384,519)	14.08%
Infrastructure	(6,103,605)	(5,520,843)	(582,762)	10.56%
Total accumulated depreciation	(11,554,189)	(10,425,589)	(1,128,600)	10.83%
Net book value, capital assets being depreciated	22,223,778	21,830,060	393,718	1.80%
Net book value, all capital assets	\$ 32,916,253	\$ 29,856,556	\$ 3,059,697	10.25%

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 include compensated absences which are not expected to be paid within a year. Compensated absences are accumulated vacation and sick time which would be paid to employees on separation from the Town. The Town does not contribute to retirees’ health insurance cost but, since active employees and retirees are rated together the rates for active employees are higher. This creates an implicit rate subsidy which is reported as OPEB (Other Post- Employment Benefits). Also included in long-term liabilities are the accrued landfill closure and post-closure care costs, as well as net pension liability.



## Long-Term Liabilities

Compensated absences	998,589	1,023,344	(24,755)	-2.42%
Accrued landfill closure and postclosure care	2,393,660	2,350,240	43,420	1.85%
Net pension liability	8,291,053	11,596,772	(3,305,719)	-28.51%
Net other postemployment benefits	861,726	876,378	(14,652)	-1.67%
Total	<u>\$ 12,903,043</u>	<u>\$ 15,907,732</u>	<u>(3,004,689)</u>	<u>-18.89%</u>

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, capital projects and drug forfeiture funds.

## STATEMENT OF NET POSITION

	2021	2020	Change	% Change
Current and other assets	\$ 18,967,927	\$ 9,219,143	\$ 9,748,784	105.75%
Capital assets, net of depreciation	32,916,253	29,856,556	3,059,697	10.25%
Total assets	<u>51,884,180</u>	<u>39,075,699</u>	<u>12,808,481</u>	<u>32.78%</u>
Deferred outflows of resources	<u>1,814,744</u>	<u>2,772,304</u>	<u>(957,560)</u>	<u>-34.54%</u>
Long-term liabilities outstanding	12,903,043	15,907,732	(3,004,689)	-18.89%
Other liabilities	7,783,874	568,780	7,215,094	1268.52%
Total Liabilities	<u>20,686,917</u>	<u>16,476,512</u>	<u>4,210,405</u>	<u>25.55%</u>
Deferred inflows of resources	<u>2,989,437</u>	<u>517,859</u>	<u>2,471,578</u>	<u>477.27%</u>
Net investment in capital assets	32,558,238	29,795,558	2,762,680	9.27%
Restricted net position	1,760,923	588,226	1,172,697	199.36%
Unrestricted net position	(4,296,591)	(5,530,152)	1,233,561	-22.31%
Total net position	<u>\$ 30,022,570</u>	<u>\$ 24,853,632</u>	<u>\$ 5,168,938</u>	<u>20.80%</u>

## Comparative Statement of Activities

	2021	2020	Change	% Change
<b>Expenses:</b>				
General government	\$ 3,216,211	\$ 2,939,915	\$ 276,296	9.40%
Public safety	5,230,962	5,809,837	(578,875)	-9.96%
Airport	10,000	-	10,000	0.00%
Highways and streets	2,798,014	2,847,981	(49,967)	-1.75%
Sanitation	1,297,978	1,265,804	32,174	2.54%
Health	49,750	39,327	10,423	26.50%
Welfare	215,499	203,718	11,781	5.78%
Culture and recreation	1,498,557	1,205,550	293,007	24.30%
Conservation	14,198	47,050	(32,852)	-69.82%
Interest on short-term debt	2,824	4,317	(1,493)	-34.58%
<b>Total expenditures</b>	<b>14,333,993</b>	<b>14,363,499</b>	<b>(29,506)</b>	<b>-0.21%</b>
<b>Program revenues:</b>				
Charges for services	929,512	688,110	241,402	35.08%
Operating grants and contributions	500,402	727,969	(227,567)	-31.26%
Capital grants and contributions	3,346,858	-	3,346,858	100.00%
<b>General revenues:</b>				
Property taxes and other taxes	9,994,190	8,589,777	1,404,413	16.35%
Motor vehicle permit fees	2,395,343	2,243,699	151,644	6.76%
Licenses and other fees	483,044	327,510	155,534	47.49%
Grants and contributions not related to a specific program	1,232,719	1,234,929	(2,210)	-0.18%
Unrestricted investment earnings	154,684	59,681	95,003	159.18%
Miscellaneous	466,179	133,041	333,138	250.40%
<b>Total revenues</b>	<b>19,502,931</b>	<b>14,004,716</b>	<b>\$ 5,498,215</b>	<b>39.26%</b>
Beginning net position, as restated	24,853,632	25,212,415		
Ending net position	30,022,570	24,853,632		
Change in net position	<b>\$ 5,168,938</b>	<b>\$ (358,783)</b>		

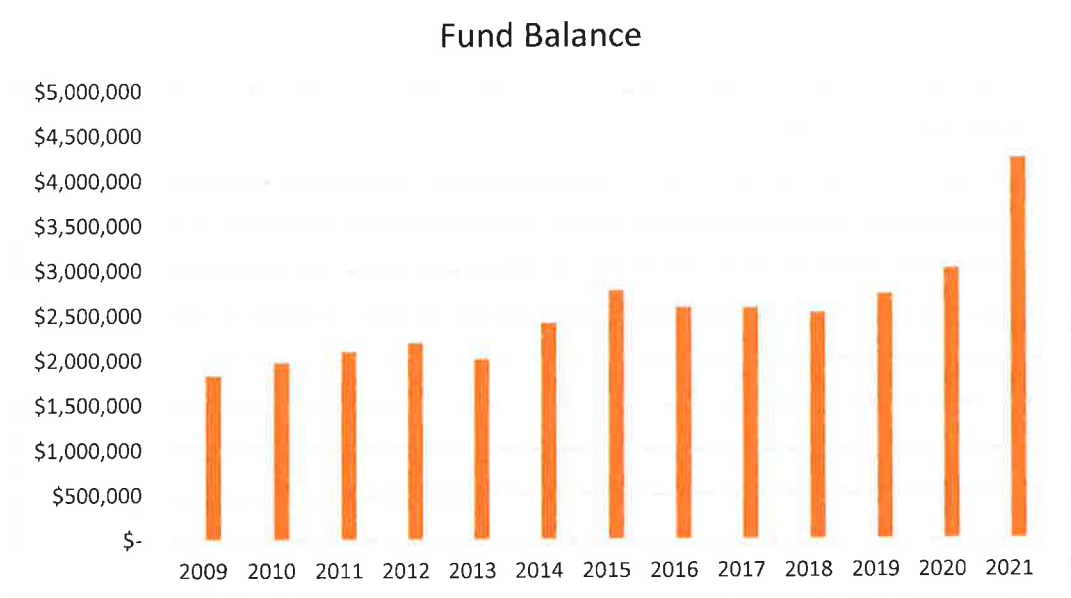
The first section of the Statement of Activities shows the relationship between expenses and offsetting revenues for various areas of Town government. The highway block grant is included in the operating budget's revenues. The fees charged by various departments for services are included in the charges 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 2021 ended with an unassigned fund balance (non-GAAP budgetary basis) in the General Fund of \$4,235,327. The unassigned fund balance at the beginning of 2021 was \$3,010,264. For 2021, revenues exceeded estimates by \$1,076,869. Unexpended or

unencumbered appropriations were \$388,624. For 2021, \$275,000 from fund balance was used to reduce taxes.

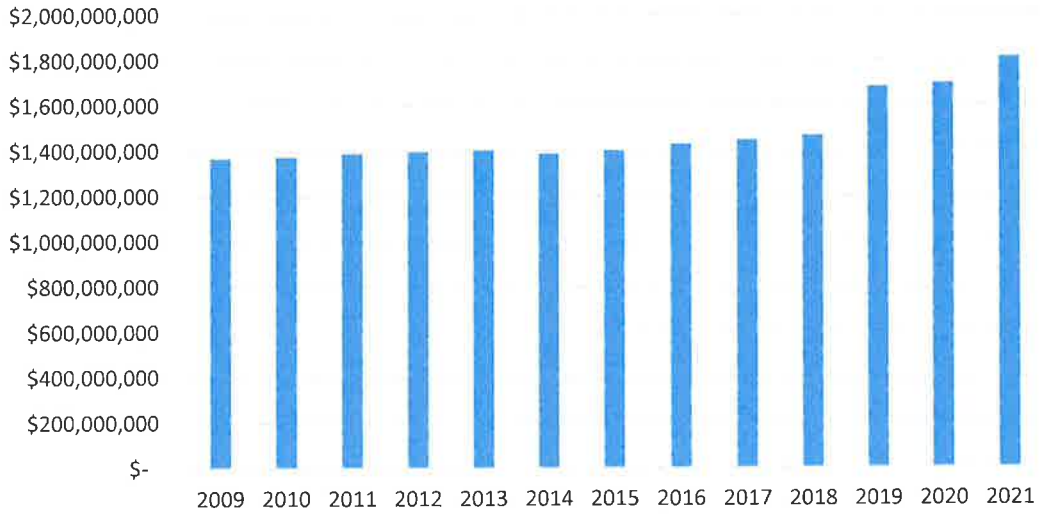
The Department of Revenue Administration and the Government Finance Officers Association recommend a retained fund balance of between 5% and 17% of the total of the town's appropriation, plus state and local education taxes, county taxes and precinct taxes. This total for 2021 was \$32,449,737. Therefore, the recommended amount to be retained is between \$1,622,487 and \$5,516,455. The Town's retained fund balance of \$4,235,327 is 13.1%.

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



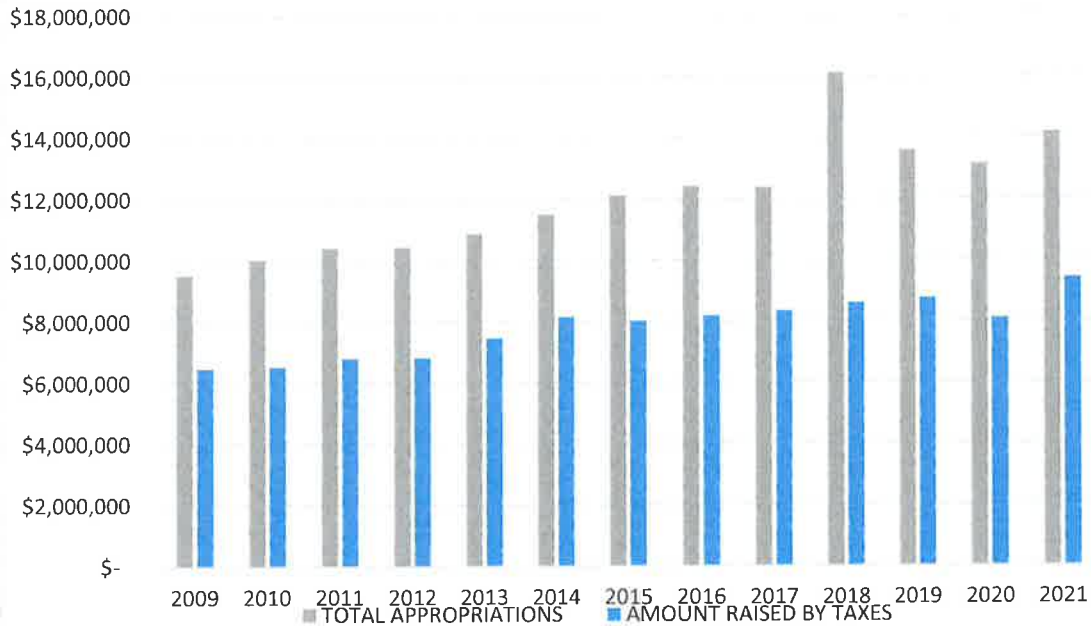
In the past 13 years the total net assessed value of the Town of Conway has increased 24.45% from \$1,368,950,300 to \$1,812,089,195. The increase in value of the Town has an impact on stabilizing the tax rate each year. The 13-year increase in value is shown in the chart below.

### Town's Valuation



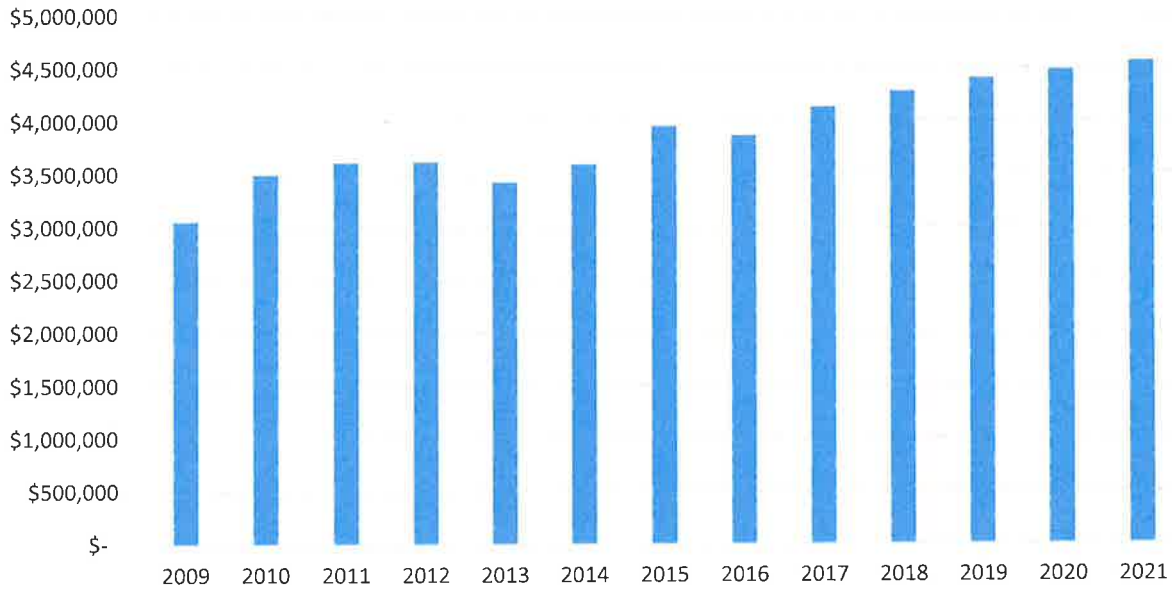
For the same period the relationship between total appropriations and the amount to be raised by taxes is shown in the chart below.

### Raised and Appropriated



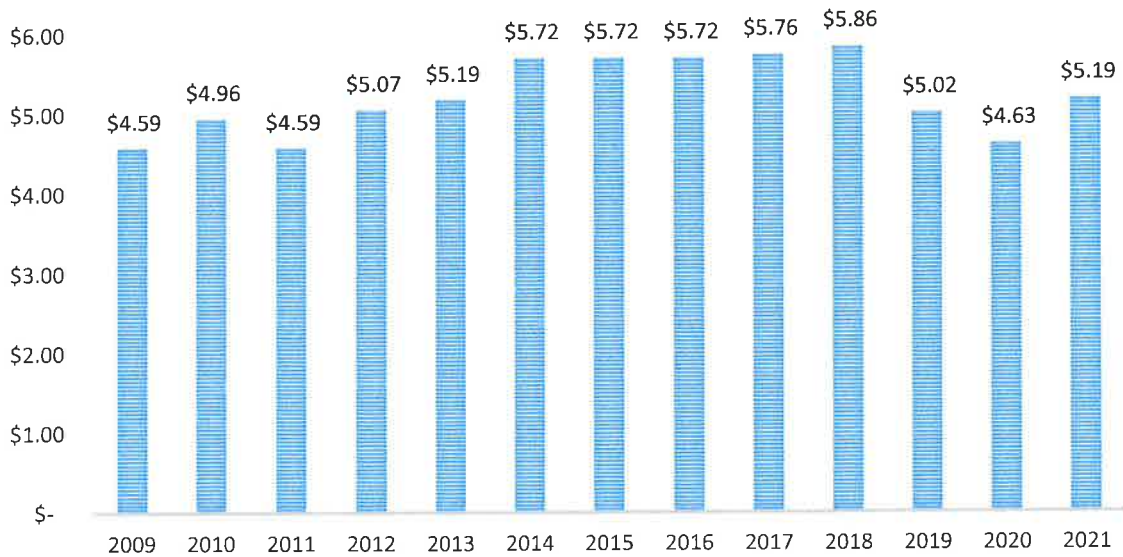
After a sharp drop in non-tax revenues in 2009, it leveled off over the next few years, and has now exceeded revenues by 49.11% over the level of a dozen years ago. The end result of 2021 was a 1.71% increase over 2020's non-tax revenues.

### Non-Tax Revenue



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

### MUNICIPAL TAX RATE



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

	2017	2018	2019	2020	2021
<b>OPERATING BUDGET</b>	10,480,725	11,078,998	11,467,504	11,753,889	12,092,080
<b>WARRANT ARTICLES</b>	1,687,420	4,287,367	1,888,001	1,168,209	1,846,500
<b>NON PROFITS</b>	205,885	215,636	219,055	216,860	227,452
<b>TOTAL APPROPRIATIONS</b>	12,374,031	15,582,001	13,574,560	13,138,958	14,166,032
<b>AMOUNT RAISED BY TAXES</b>	8,336,925	8,599,517	8,746,025	8,097,105	9,328,914
<b>USE of Fund Balance</b>	350,000	394,407	550,000	0	275,000
<b>NON TAX REVENUES</b>	4,135,831	7,076,035	4,402,987	4,485,431	4,562,118
<b>MUNICIPAL TAX RATE</b>	5.76	5.86	5.02	4.63	5.19
<b>PERCENT RAISED BY TAXES</b>	67%	55%	64%	62%	66%
<b>VALUE FOR MUNICIPAL RATE</b>	1,447,967,470	1,468,345,836	1,682,699,803	1,750,988,000	1,812,989,195
<b>UNASSIGNED FUND BALANCE</b>	2,576,444	2,522,696	2,730,664	3,010,264	4,235,327

For further information, please contact Kathleen Golding, Finance Director, at 447-3811 x 221.

***BASIC FINANCIAL STATEMENTS***

**EXHIBIT A**  
**TOWN OF CONWAY, NEW HAMPSHIRE**  
*Statement of Net Position*  
*December 31, 2021*

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 7,855,093
Investments	954,673
Taxes receivables (net)	8,497,581
Account receivables (net)	11,012
Intergovernmental receivable	1,519,545
Tax deeded property, subject to resale	130,023
Capital assets:	
Land and construction in progress	10,692,475
Other capital assets, net of depreciation	22,223,778
Total assets	51,884,180
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Amounts related to pensions	1,775,369
Amounts related to other postemployment benefits	39,375
Total deferred outflows of resources	1,814,744
<b>LIABILITIES</b>	
Accounts payable	253,450
Accrued salaries and benefits payable	350,530
Contracts payable	126,597
Accrued interest payable	3,291
Intergovernmental payable	7,050,006
Long-term liabilities:	
Due within one year	190,248
Due in more than one year	12,712,795
Total liabilities	20,686,917
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue - property taxes	29,325
Unavailable revenue - grants	364,134
Amounts related to pensions	2,587,346
Amounts related to other postemployment benefits	8,632
Total deferred inflows of resources	2,989,437
<b>NET POSITION</b>	
Net investment in capital assets	32,558,238
Restricted	1,760,923
Unrestricted	(4,296,591)
Total net position	\$ 30,022,570

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, 2021

	Expenses	Program Revenues			Net (Expense) Revenue and Change In Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$ 3,216,211	\$ 54,569	\$ -	\$ -	\$ (3,161,642)
Public safety	5,230,962	109,872	-	-	(5,121,090)
Airport operations	10,000	-	-	-	(10,000)
Highways and streets	2,798,014	21,517	305,336	2,176,271	(294,890)
Sanitation	1,297,978	554,790	94,716	-	(648,472)
Health	49,750	-	-	-	(49,750)
Welfare	215,499	2,935	-	-	(212,564)
Culture and recreation	1,498,557	185,829	100,350	1,170,587	(41,791)
Conservation	14,198	-	-	-	(14,198)
Interest on long-term debt	2,824	-	-	-	(2,824)
Total governmental activities	<u>\$ 14,333,993</u>	<u>\$ 929,512</u>	<u>\$ 500,402</u>	<u>\$ 3,346,858</u>	<u>(9,557,221)</u>
General revenues:					
Taxes:					
Property					9,500,641
Other					493,549
Motor vehicle permit fees					2,395,343
Licenses and other fees					483,044
Grants and contributions not restricted to specific programs					1,232,719
Unrestricted investment earnings					154,684
Miscellaneous					466,179
Total general revenues					<u>14,726,159</u>
Change in net position					5,168,938
Net position, beginning					24,853,632
Net position, ending					<u>\$ 30,022,570</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, 2021**

	General	Local Public Agency Project	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,022,067	\$ -	\$ 1,833,026	\$ 7,855,093
Investments	382	-	954,291	954,673
Receivables:				
Taxes receivable	8,547,581	-	-	8,547,581
Accounts receivable (net)	11,012	-	-	11,012
Intergovernmental receivable	11,322	1,508,223	-	1,519,545
Interfund receivable	1,512,301	-	12,470	1,524,771
Tax dedeed property, subject to resale	130,023	-	-	130,023
Total assets	<u>\$ 16,234,688</u>	<u>\$ 1,508,223</u>	<u>\$ 2,799,787</u>	<u>\$ 20,542,698</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 201,989	\$ -	\$ 51,461	\$ 253,450
Accrued salaries and benefits payable	350,530	-	-	350,530
Contracts payable	-	126,597	-	126,597
Intergovernmental payable	7,050,006	-	-	7,050,006
Interfund payable	12,470	1,381,626	130,675	1,524,771
Total liabilities	<u>7,614,995</u>	<u>1,508,223</u>	<u>182,136</u>	<u>9,305,354</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	444,334	-	-	444,334
Unavailable revenue - grants and donations	354,704	-	9,430	364,134
Total deferred inflows of resources	<u>799,038</u>	<u>-</u>	<u>9,430</u>	<u>808,468</u>
<b>FUND BALANCES</b>				
Nonspendable	130,023	-	75,209	205,232
Restricted	-	-	1,685,714	1,685,714
Committed	3,820,314	-	847,298	4,667,612
Unassigned	3,870,318	-	-	3,870,318
Total fund balances	<u>7,820,655</u>	<u>-</u>	<u>2,608,221</u>	<u>10,428,876</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 16,234,688</u>	<u>\$ 1,508,223</u>	<u>\$ 2,799,787</u>	<u>\$ 20,542,698</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

*EXHIBIT C-2*  
**TOWN OF CONWAY, NEW HAMPSHIRE**  
*Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position*  
*December 31, 2021*

Amounts reported for governmental activities in the Statement of Net Position are different because:			
Total fund balances of governmental funds (Exhibit C-1)		\$ 10,428,876	
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds,			
Cost	\$ 44,470,442		
Less accumulated depreciation	<u>(11,554,189)</u>		
			32,916,253
Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings and contributions subsequent to the measurement date for the post-retirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows of resources on the Statement of Net Position.			
Deferred outflows of resources related to pensions	\$ 1,775,369		
Deferred inflows of resources related to pensions	(2,587,346)		
Deferred outflows of resources related to OPEB	39,375		
Deferred inflows of resources related to OPEB	<u>(8,632)</u>		
			(781,234)
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.			
Receivables	\$ (1,524,771)		
Payables	<u>1,524,771</u>		
			-
Property taxes not collected within 60 days of fiscal year-end are not available to pay for current period expenditures, and therefore are deferred in the governmental funds.			
Deferred property taxes	\$ 415,009		
Allowance for uncollectible taxes	<u>(50,000)</u>		
			365,009
Interest on long-term debt is not accrued in governmental funds.			
Accrued interest payable			(3,291)
Long-term liabilities that are not due and payable in the current period, therefore, are not reported in the governmental funds.			
Capital leases	\$ 358,015		
Compensated absences	998,589		
Accrued landfill closure and postclosure care costs	2,393,660		
Net pension liability	8,291,053		
Other postemployment benefits	<u>861,726</u>		
			<u>(12,903,043)</u>
Net position of governmental activities (Exhibit A)			<u><u>\$ 30,022,570</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, 2021**

	General	Local Public Agency Project	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 9,755,600	\$ -	\$ 130,294	\$ 9,885,894
Licenses and permits	2,878,387	-	-	2,878,387
Intergovernmental	1,472,561	2,176,271	260,560	3,909,392
Charges for services	555,593	-	373,919	929,512
Miscellaneous	383,770	-	1,407,680	1,791,450
Total revenues	<u>15,045,911</u>	<u>2,176,271</u>	<u>2,172,453</u>	<u>19,394,635</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,235,289	-	3,040	3,238,329
Public safety	5,176,860	-	137,318	5,314,178
Airport operations	10,000	-	-	10,000
Highways and streets	2,543,935	-	-	2,543,935
Sanitation	1,543,313	-	230,643	1,773,956
Health	49,750	-	-	49,750
Welfare	204,679	-	9,270	213,949
Culture and recreation	1,051,497	-	344,771	1,396,268
Conservation	14,198	-	-	14,198
Debt service:				
Interest	420	-	-	420
Capital outlay	918,162	2,176,271	32,158	3,126,591
Total expenditures	<u>14,748,103</u>	<u>2,176,271</u>	<u>757,200</u>	<u>17,681,574</u>
Excess of revenues over expenditures	<u>297,808</u>	<u>-</u>	<u>1,415,253</u>	<u>1,713,061</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	16,046	-	-	16,046
Transfers out	-	-	(16,046)	(16,046)
Capital leases	395,000	-	-	395,000
Total other financing sources (uses)	<u>411,046</u>	<u>-</u>	<u>(16,046)</u>	<u>395,000</u>
Net change in fund balances	708,854	-	1,399,207	2,108,061
Fund balances, beginning	7,111,801	-	1,209,014	8,320,815
Fund balances, ending	<u>\$ 7,820,655</u>	<u>\$ -</u>	<u>\$ 2,608,221</u>	<u>\$ 10,428,876</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, 2021*

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 2,108,061
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	\$ 4,318,658	
Depreciation expense	<u>(1,208,386)</u>	3,110,272
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and disposals) is to decrease net position.		
		(50,575)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (16,046)	
Transfers out	<u>16,046</u>	-
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Decrease in deferred tax revenue	\$ 66,296	
Decrease in allowance for uncollectable taxes	<u>42,000</u>	108,296
Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position.		
Inception of capital lease	\$ (395,000)	
Repayment of capital leases	<u>97,983</u>	(297,017)
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.		
Increase in accrued interest expense	\$ (2,404)	
Decrease in compensated absences	24,755	
Increase in accrued landfill postclosure care costs	(43,420)	
Net change in net pension liability, and deferred outflows and inflows of resources related to pensions	208,974	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>1,996</u>	189,901
Change in net position of governmental activities (Exhibit B)		<u><u>\$ 5,168,938</u></u>

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT D**  
**TOWN OF CONWAY, NEW HAMPSHIRE**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance*  
*Budget and Actual (Non-GAAP Budgetary Basis)*  
**General Fund**  
*For the Fiscal Year Ended December 31, 2021*

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 9,602,712	\$ 9,602,712	\$ 9,863,896	\$ 261,184
Licenses and permits	2,380,000	2,380,000	2,878,387	498,387
Intergovernmental	1,219,720	1,401,655	1,472,561	70,906
Charges for services	470,600	470,600	555,593	84,993
Miscellaneous	218,000	218,000	379,399	161,399
Total revenues	<u>13,891,032</u>	<u>14,072,967</u>	<u>15,149,836</u>	<u>1,076,869</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,733,914	2,733,914	2,705,380	28,534
Public safety	4,953,003	5,134,938	5,084,464	50,474
Airport operations	10,000	10,000	10,000	-
Highways and streets	2,328,243	2,328,243	2,257,650	70,593
Sanitation	908,123	908,123	771,305	136,818
Health	49,865	49,865	49,750	115
Welfare	212,412	212,412	204,679	7,733
Culture and recreation	1,140,972	1,140,972	1,051,497	89,475
Conservation	17,500	17,500	14,198	3,302
Debt service:				
Interest	2,000	2,000	420	1,580
Total expenditures	<u>12,356,032</u>	<u>12,537,967</u>	<u>12,149,343</u>	<u>388,624</u>
Excess of revenues over expenditures	<u>1,535,000</u>	<u>1,535,000</u>	<u>3,000,493</u>	<u>1,465,493</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	16,046	16,046
Transfers out	<u>(1,810,000)</u>	<u>(1,810,000)</u>	<u>(1,810,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,810,000)</u>	<u>(1,810,000)</u>	<u>(1,793,954)</u>	<u>16,046</u>
Net change in fund balances	<u>\$ (275,000)</u>	<u>\$ (275,000)</u>	1,206,539	<u>\$ 1,481,539</u>
Decrease in nonspendable fund balance			18,524	
Unassigned fund balance, beginning			3,010,264	
Unassigned fund balance, ending			<u>\$ 4,235,327</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT E-1**  
**TOWN OF CONWAY, NEW HAMPSHIRE**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**December 31, 2021**

	Private Purpose Trust Funds	All Custodial Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 184,080	\$ 8,412,816
Investments	-	242,589
Intergovernmental receivable	-	6,976,439
Total assets	<u>184,080</u>	<u>15,631,844</u>
<b>LIABILITIES</b>		
Accounts payable	-	11,322
Intergovernmental payables:		
School	-	6,976,439
Total liabilities	<u>-</u>	<u>6,987,761</u>
<b>NET POSITION</b>		
Restricted	<u>184,080</u>	<u>8,644,083</u>
Total net position	<u>\$ 184,080</u>	<u>\$ 8,644,083</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT E-2**  
**TOWN OF CONWAY, NEW HAMPSHIRE**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**  
**For the Fiscal Year Ended December 31, 2021**

	Private Purpose Trust Funds	All Custodial Funds
<b>ADDITIONS</b>		
Contributions	\$ 8,185	\$2,992,577
Investment earnings	2,624	13,612
Tax collections for other governments	-	22,589,779
State motor vehicle fees	-	769,680
Total additions	<u>10,809</u>	<u>26,365,648</u>
<b>DEDUCTIONS</b>		
Benefits paid	-	952,059
Scholarships	2,000	-
Payments of taxes to other governments	-	22,589,779
Payments of motor vehicle fees to State	-	769,680
Payments for escrow purposes	-	840,250
Total deductions	<u>2,000</u>	<u>25,151,768</u>
Net change in fiduciary net position	8,809	1,213,880
Net position, beginning	<u>175,271</u>	<u>7,430,203</u>
Net position, ending	<u>\$ 184,080</u>	<u>\$ 8,644,083</u>

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, 2021**

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**TOWN OF CONWAY, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2021**

**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.

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. 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 three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital 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 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.

**TOWN OF CONWAY, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2021**

The Town reports the following major governmental funds:

**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 expendable trust funds are consolidated in the general fund.

**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 the roadway 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. 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*.

Additionally, the Town reports the following fund types:

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

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

**Permanent Funds** – 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 10 nonmajor governmental funds.

**Fiduciary Fund Financial Statements** – Include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The Town’s fiduciary funds are private purpose trust and custodial funds, which are custodial in nature. These funds are accounted for on a spending, or “economic resources” measurement focus and the accrual basis of accounting.

The Town 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.

**Custodial Fund** – are custodial in nature and do not belong to the primary government. A custodial 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.”

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.

**TOWN OF CONWAY, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2021**

**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.

**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). 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.

**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.

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***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:

	<u>Years</u>
<b>Capital Asset Classes:</b>	
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 20, 2021 and November 23, 2021, and due on July 2, 2021 and January 10, 2022. Interest accrues at a rate of 8% on bills outstanding after the due date and 14% on tax liens outstanding. The Town placed a lien on all outstanding taxes from 2020 on May 6, 2021.

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

The Town net assessed valuation as of April 1, 2021 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 1,732,732,295
For all other taxes	\$ 1,812,089,195

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The tax rates and amounts assessed for the year ended December 31, 2021 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$5.19	\$ 9,406,337
School portion:		
State of New Hampshire	\$1.89	3,270,747
Local	\$8.06	14,605,692
County portion	\$1.20	2,176,777
Total municipal portion		29,459,553
Precinct portions:		
Center Conway Fire	\$1.05	282,470
Conway Village Fire	\$1.83	486,502
East Conway Fire	\$1.52	60,740
Fire Assessment	\$1.09	453,621
Kearsarge Lighting	\$0.50	57,304
North Conway Water	\$2.10	1,549,478
Redstone Fire	\$0.99	100,069
Total precinct portion		2,990,184
Total		\$32,449,737

***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, 2021.

***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 statement, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position.

***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 the Town's personnel policy. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

***1-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

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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, and reduced by the outstanding balances of any capital leases that are attributable to the acquisition, construction, or improvement of those 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.

**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.

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**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 (including all payments to county, school, and precincts and districts).

***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 and taxes receivables, useful lives capital assets, net pension liability, other postemployment benefit liability, deferred outflows and inflows of resources related to both pension and other postemployment benefits, and accrued landfill closure and postclosure care costs, 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 U.S. generally accepted accounting principles (GAAP).

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 2021, \$275,000 of the beginning general fund unassigned fund balance was applied for this purpose.

***2-B Budgetary Reconciliation to GAAP Basis***

While the Town reports financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual is presented for the major governmental fund which had a budget.



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Differences between the budgetary basis and GAAP basis of accounting for the general fund are as follows:

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 15,165,882
Adjustments:	
Basis differences:	
Inception of capital leases	395,000
GASB Statement No. 54:	
To record miscellaneous income of the blended funds	4,371
Change in deferred tax revenue relating to 60-day revenue recognition recognized as revenue on the GAAP basis, but not on the budgetary basis	(66,296)
Change in allowance for uncollectible property taxes	(42,000)
Per Exhibit C-3 (GAAP basis)	<u>\$ 15,456,957</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 13,959,343
Adjustments:	
Basis differences:	
Inception of capital lease	395,000
Encumbrances, beginning	827,900
Encumbrances, ending	(610,770)
GASB Statement No. 54:	
To record expenditures of the blended funds during the year	1,986,630
To eliminate transfers between general fund and blended expendable trust funds	(1,810,000)
Per Exhibit C-3 (GAAP basis)	<u>\$ 14,748,103</u>

**DETAILED NOTES ON ALL FUNDS**

**NOTE 3 – CASH AND CASH EQUIVALENTS**

The Town's deposits are entirely covered by Federal Depository Insurance Corporation (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 \$16,451,989 and the bank balances totaled \$17,343,259. Petty cash totaled \$842.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 7,855,093
Cash per Statement of Fiduciary Net Position - Fiduciary Funds (Exhibit E-1)	8,596,896
Total cash and cash equivalents	<u>\$ 16,451,989</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. Since 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.

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The Town has the following recurring fair value measurements and maturities as of December 31, 2021:

	Valuation Measurement		1-5 Years	6-10 Years	Total
	Method	Fair Value			
Investments type:					
Corporate bonds	Level 2	\$ 10,456	\$ 10,456	\$ -	\$ 20,912
Equity exchange traded funds	Level 1	178,866	-	-	178,866
Fixed income exchange traded funds	Level 2	117,796	-	-	117,796
Municipal bonds	Level 2	2,592	-	2,592	5,184
Total fair value		309,710	\$ 10,456	\$ 2,592	\$ 322,758
Investments carried at amortized cost					
New Hampshire Public Deposit Investment Pool		887,551			
Total investments		\$ 1,197,261			

**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.

**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.

**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, 2021.

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 954,673
Investments per Statement of Net Position - Fiduciary Funds (Exhibit E-1)	242,589
Total investments	<u>\$1,197,262</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, 2021. The amount has been reduced by an allowance for an estimated uncollectible amount of \$50,000. Taxes receivable by year are as follows:

	As reported on:	
	Exhibit A	Exhibit C-1
Property:		
Levy of 2021	\$8,046,718	\$8,046,718
Unredeemed (under tax lien):		
Levy of 2020	233,715	233,715
Levy of 2019	178,171	178,171
Levies of 2018 and prior	59,789	59,789
Less: allowance for estimated uncollectible taxes	(50,000) *	-
Net taxes receivable	<u>\$8,497,581</u>	<u>\$8,547,581</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 accrual basis of accounting (Exhibits A and B).

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**NOTE 6 – OTHER RECEIVABLES**

Receivables at December 31, 2021, 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, 2021 for the Town’s individual major funds and nonmajor funds in the aggregate including applicable allowances for uncollectible accounts are as follows:

	Governmental Funds				Fiduciary Funds
	Governmental Activities	General Fund	Local Public Agency Project	Total	
Receivables:					
Accounts	\$ 11,114	\$ 11,114	\$ -	\$ 11,114	\$ -
Intergovernmental	1,519,545	11,322	1,508,223	1,519,545	6,976,439
Gross receivables	<u>1,530,659</u>	<u>22,436</u>	<u>1,508,223</u>	<u>1,530,659</u>	<u>6,976,439</u>
Less: allowance for uncollectibles	(102)	(102)	-	(102)	-
Net total receivables	<u>\$ 1,530,557</u>	<u>\$ 22,334</u>	<u>\$ 1,508,223</u>	<u>\$ 1,530,557</u>	<u>\$ 6,976,439</u>

1. Fiduciary Funds- Intergovernmental receivables represent property taxes collected on behalf of the Conway School District. These amounts are collected and are part of the Town’s general fund cash at year-end. The general fund reports an offsetting intergovernmental payable for this amount at year-end, see Note 9.

**NOTE 7 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2021 is as follows:

	Balance, beginning	Additions	Deletions	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 7,524,933	\$ -	\$ -	\$ 7,524,933
Construction in progress	501,563	2,665,979	-	3,167,542
Total capital assets not being depreciated	<u>8,026,496</u>	<u>2,665,979</u>	<u>-</u>	<u>10,692,475</u>
Being depreciated:				
Buildings and building improvements	7,405,424	-	-	7,405,424
Machinery, equipment, and vehicles	6,082,568	866,033	(130,361)	6,818,240
Infrastructure	18,767,657	786,646	-	19,554,303
Total capital assets being depreciated	<u>32,255,649</u>	<u>1,652,679</u>	<u>(130,361)</u>	<u>33,777,967</u>
Total all capital assets	<u>40,282,145</u>	<u>4,318,658</u>	<u>(130,361)</u>	<u>44,470,442</u>
Less accumulated depreciation:				
Buildings and building improvements	(2,174,629)	(161,319)	-	(2,335,948)
Machinery, equipment, and vehicles	(2,730,117)	(464,305)	79,786	(3,114,636)
Infrastructure	(5,520,843)	(582,762)	-	(6,103,605)
Total accumulated depreciation	<u>(10,425,589)</u>	<u>(1,208,386)</u>	<u>79,786</u>	<u>(11,554,189)</u>
Net book value, capital assets being depreciated	21,830,060	444,293	(50,575)	22,223,778
Net book value, all capital assets	<u>\$ 29,856,556</u>	<u>\$ 3,110,272</u>	<u>\$ (50,575)</u>	<u>\$ 32,916,253</u>

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

General government	\$ 25,123
Public safety	123,071
Highways and streets	828,425
Sanitation	145,937
Culture and recreation	85,830
Total depreciation expense	\$ 1,208,386

**NOTE 8 – INTERFUND BALANCES AND TRANSFERS**

**Interfund Balances** - The composition of interfund balances as of December 31, 2021 is as follows:

Receivable Fund	Payable Fund	Amount
General	Local public agency project	\$ 1,381,626
General	Nonmajor	12,470
Nonmajor	General	130,675
		\$ 1,524,771

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, 2021 is as follows:

	Transfers In:
	General
	Fund
Transfers out:	
Nonmajor fund	\$ 16,046

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

**NOTE 9 – INTERGOVERNMENTAL PAYABLES**

Amounts due to other governments at December 31, 2021 consist of:

	Governmental	
	Activities	
	General	Fiduciary
	Fund	Funds
Miscellaneous town clerk and other fees due to the state	\$ 7,563	\$ -
User charges due to the North Conway Water Precinct	23,140	-
Property taxes due to the custodial funds	2 6,976,439	-
Property taxes due to the Conway School District	3 -	6,976,439
Property taxes due to the non-precinct fire	42,864	-
Total intergovernmental payables due	\$ 7,050,006	\$ 6,976,439

2. Property taxes due to the custodial funds represent amounts collected by the Town on behalf of the Conway School District and are reported as a component of general fund cash at year-end.
3. Property taxes due to the Conway School District represent amounts collected by the Town that will be paid to the School District in incremental payments based upon an agreed schedule in the next calendar year.

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

Deferred outflows of resources of at December 31, 2021 consist of amounts related to pensions totaling \$1,775,369 and amounts related to OPEB totaling \$39,375. For further discussion on these amounts, see Note 14 and 15, respectively.

Deferred inflows of resources are as follows:

	Governmental Activities	General Fund	Nonmajor Governmental Funds
Tax overpayments to be applied to future billings	\$ 29,325	\$ 29,325	\$ -
Deferred property taxes not collected within 60 days of fiscal year-end	-	415,009	-
Grant revenue received in advance of eligible expenditures	364,134	354,704	9,430
Amounts related to pensions (see Note 14)	2,587,346	-	-
Amounts related to other postemployment benefits (see Note 15)	8,632	-	-
Total deferred inflows of resources	<u>\$2,989,437</u>	<u>\$799,038</u>	<u>\$ 9,430</u>

**NOTE 11 – CAPITAL LEASE OBLIGATIONS**

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

	Standard Interest Rate	Present Value of Remaining Payments as of December 31, 2021
Capital lease obligations:		
2021 Freighliner Truck	3.99%	\$ 46,632
Landfill Compactor	2.92%	311,383
Total capital lease obligations		<u>\$ 358,015</u>

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

	Governmental Activities
Equipment:	
2021 Freighliner Truck	\$ 77,799
Landfill Compactor	395,000
Total equipment	472,799
Less: accumulated depreciation	(30,123)
Total capital lease equipment	<u>\$ 442,676</u>

The annual requirements to amortize the capital leases payable as of December 31, 2021, including interest payments, are as follows:

Fiscal Year Ending December 31,	Governmental Activities
2022	\$ 100,417
2023	100,417
2024	100,417
2025	83,617
Total requirements	384,868
Less: interest	(26,853)
Present value of remaining payments	<u>\$ 358,015</u>

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

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**NOTE 12 – SHORT-TERM DEBT**

Changes in the Town’s short-term borrowings during the year ended December 31, 2021, consisted of the following:

Governmental Activities	Original Issue	Interest Rate	Balance January 1, 2021	Additions	Deletions	Balance December 31, 2021
Tax anticipation note	\$ 1,800,000	0.04%	\$ -	\$ 1,800,000	\$(1,800,000)	\$ -

The purpose of the short-time borrowings was to provide for interim financing of general fund operations.

**NOTE 13 – LONG-TERM LIABILITIES**

Changes in the Town’s long-term liabilities consisted of the following for the year ended December 31, 2021:

	Balance January 1, 2021	Additions	Reductions	Balance December 31, 2021	Due Within One Year	Due In More Than One Year
	Capital leases			\$ 60,998	\$ 395,000	\$ (97,983)
Compensated absences	1,023,344	26,996	(51,751)	998,589	100,794	897,795
Accrued landfill closure and postclosure	2,350,240	43,420	-	2,393,660	-	2,393,660
Net pension liability	11,596,772	-	(3,305,719)	8,291,053	-	8,291,053
Net other postemployment benefits	876,378	17,232	(31,884)	861,726	-	861,726
Total long-term liabilities	\$ 15,907,732	\$ 482,648	\$(3,487,337)	\$12,903,043	\$ 190,248	\$ 12,712,795

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

**Accrued Landfill Closure and Postclosure Care Costs** – Federal and State laws and regulations require that the Town place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site after closure. A liability is being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used through the end of the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$2,393,660 as of December 31, 2021, which is based on 46% usage (filled) of the landfill. It is estimated that an additional \$2,171,000 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, 2021. However, the actual cost of closure and postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

The State of New Hampshire Department of Environmental Services requires that all entities which received licensing for landfills since 1991 meet general financial assurance requirements. The Town has established a capital reserve fund for landfill closure and postclosure care costs. The balance of this capital reserve was \$1,890,249 at December 31, 2021.

**NOTE 14 – DEFINED BENEFIT PENSION PLAN**

**Plan Description** – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers a 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 within 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.

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**Benefits Provided** – Benefit formulas and eligibility requirements for the Pension Plan are set by state law (RSA 100-A). 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.

Group I benefits are provided based on creditable service and average final salary for the highest of either three or five years, depending on when service commenced.

Group II benefits are provided based on age, years of creditable service and benefit multiplier depending on vesting status as of 1/1/12. The maximum retirement allowance for Group II members vested by 1/1/12 (45 years of age with 20 years of service or age 60 regardless of years of creditable service) is the average final compensation multiplied by 2.5% multiplied by creditable service. For Group II members not vested by 1/1/12 the benefit is calculated the same way, but the multiplier used in the calculation will change depending on age and years of creditable service as follows:

Years of Creditable Service as of 1/1/12	Minimum Age	Minimum Service	Benefit Multiplier
At least 8 but less than 10 years	46	21	2.4%
At least 6 but less than 8 years	47	22	2.3%
At least 4 but less than 6 years	48	23	2.2%
Less than 4 years	49	24	2.1%

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. Group I (employee and teacher) members are required to contribute 7% of earnable compensation and Group II (police and fire) members contribute 11.55% and 11.80% respectively. For the period of January 1, 2021 to June 30, 2021, the Town contributed 24.77% for police, 26.43% for fire and 10.88% for other employees. For the period of July 1, 2021 to December 31, 2021 the Town contributed 30.67% for police, 29.78% for fire and 13.75% for other employees. The contribution requirement for the fiscal year 2021 was \$914,062, which was paid in full.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions** – At December 31, 2021 the Town reported a liability of \$8,291,053 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2021, the Town’s proportion was 0.18707591% which was an increase of 0.00576731% from its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, the Town recognized pension expense of \$601,974. At December 31, 2021 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	\$ 261,764	\$ 181,726
Changes in assumptions	865,954	-
Net difference between projected and actual investment earnings on pension plan investments	-	2,318,818
Differences between expected and actual experience	232,161	86,802
Contributions subsequent to the measurement date	415,490	-
Total	<u>\$ 1,775,369</u>	<u>\$ 2,587,346</u>

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The \$415,490 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, 2022. 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.	
2022	\$ (246,344)
2023	(150,069)
2024	(130,953)
2025	(700,101)
Thereafter	-
Totals	<u><u>\$ (1,227,467)</u></u>

**Actuarial Assumptions** – The collective total pension liability was based on the following assumptions:

Inflation:	2.0%
Salary increases:	5.6% average, including inflation
Wage inflation:	2.75% (2.25% for Teachers)
Investment rate of return:	6.75% net of pension plan investment expense, including inflation

Mortality rates were based on the Pub-2010 Healthy Retiree Mortality Tables with credibility adjustments for each group (Police and Fire combined) and projected fully generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2016 – June 30, 2019.

**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 geometric real rates of return for each asset class:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return <u>2021</u>
Large Cap Equities	22.50%	6.46%
Small/Mid Cap Equities	7.50%	1.14%
Total domestic equity	<u>30.00%</u>	
Int'l Equities (unhedged)	14.00%	5.53%
Emerging Int'l Equities	6.00%	2.37%
Total international equity	<u>20.00%</u>	
Core US Fixed Income	25.00%	3.60%
Total fixed income	<u>25.00%</u>	
Private equity	10.00%	8.85%
Private debt	5.00%	7.25%
Total alternative investments	<u>15.00%</u>	
Real estate	10.00%	6.60%
Total	<u><u>100.00%</u></u>	



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**Discount Rate** – The discount rate used to measure the collective total pension liability was 6.75%. 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 6.75% 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 (5.75%) or 1-percentage point higher (7.75%) than the current rate:

Actuarial Valuation Date	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
June 30, 2021	<u>\$ 11,857,155</u>	<u>\$ 8,291,053</u>	<u>\$ 5,316,342</u>

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

**NOTE 15 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

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

**Plan Description** – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system which administers a cost-sharing multiple-employer other postemployment benefit (OPEB) plan. For additional system information, please refer to the 2021 Annual Comprehensive Financial Report, which can be found on the system’s website at [www.nhrs.org](http://www.nhrs.org).

**Benefits Provide** - 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 benefit 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 2021 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.

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**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 the period of January 1, 2021 to June 30, 2021, the Town contributed 3.66% for police and fire, and 0.29% for other employees. For the period of July 1, 2021 to December 31, 2021, the Town contributed 3.21% for police and fire, and 0.31% for other employees. The contribution requirement for the fiscal year 2021 was \$71,392 which was paid in full.

**OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB** – At December 31, 2021, the Town reported a liability of \$679,629 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. 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, 2021, the Town’s proportion was 0.16971346% which was an increase of 0.00715951% from its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, the Town recognized OPEB expense of \$56,114. At December 31, 2021, 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	\$ 262	\$ -
Net difference between projected and actual investment earnings on OPEB plan investments	-	8,490
Differences between expected and actual experience	-	142
Contributions subsequent to the measurement date	39,113	-
Total	\$ 39,375	\$ 8,632

The \$39,113 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, 2022. 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,	
2022	\$ (1,822)
2023	(1,784)
2024	(1,999)
2025	(2,765)
Thereafter	-
Totals	\$ (8,370)

**Actuarial Assumptions** – The collective total OPEB liability was based on the following actuarial assumptions:

Inflation:	2.0%
Salary increases:	5.6 % average, including inflation
Wage inflation:	2.75% (2.25% for Teachers)
Investment rate of return:	6.75% net of OPEB plan investment expense, including inflation for determining solvency contributions

Mortality rates were based on the Pub-2010 Healthy Retiree Mortality Tables with credibility adjustments for each group (Police and Fire combined) and projected fully generational mortality improvements using Scale MP-2019.

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The actuarial assumptions used in the June 30, 2020 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2016 - June 30, 2019.

**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. Following is a table presenting target allocations and geometric real rates of return for each asset class:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return <u>2021</u>
Large Cap Equities	22.50%	6.46%
Small/Mid Cap Equities	7.50%	1.14%
Total domestic equity	<u>30.00%</u>	
Int'l Equities (unhedged)	14.00%	5.53%
Emerging Int'l Equities	6.00%	2.37%
Total international equity	<u>20.00%</u>	
Core US Fixed Income	25.00%	3.60%
Total fixed income	<u>25.00%</u>	
Private equity	10.00%	8.85%
Private debt	5.00%	7.25%
Total alternative investments	<u>15.00%</u>	
Real estate	10.00%	6.60%
Total	<u>100.00%</u>	

**Discount Rate** – The discount rate used to measure the total OPEB liability as of June 30, 2021 was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statutes RSA 100-A:16 and 100-A:53. 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 6.75% 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 (5.75%) or 1-percentage point higher (7.75%) than the current rate:

Actuarial Valuation Date	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
June 30, 2021	<u>\$ 738,810</u>	<u>\$ 679,629</u>	<u>\$ 628,138</u>

**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.

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**15-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.

**Employees Covered by Benefit Terms** – At December 31, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	75
Active employees	<u>16</u>
Total participants covered by OPEB plan	<u>91</u>

**Total OPEB Liability** – The Town’s total OPEB liability of \$182,097 was measured as of December 31, 2021 and was determined by an actuarial valuation of that date.

**Actuarial Assumptions and Other Inputs** – The total OPEB liability of \$182,097 in the December 31, 2021 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:	2.25%
Healthcare Cost Trend Rates:	
Current Year Trend	4.70%
Second Year Trend	4.80%
Decrement	0.10%
Ultimate Trend	4.20%
Year Ultimate Trend is Reached	2042
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 Pub-2010 Public Retirement Mortality Tables, with mortality improvement projected for 10 years.

**Changes in the Total OPEB Liability**

	December 31,	
	2020	2021
OPEB liability beginning of year	\$ 175,027	\$ 164,865
Changes for the year:		
Service cost	498	498
Interest	6,336	7,623
Assumption changes	(10,998)	41,382
Difference between actual and expected experience	(5,998)	(32,271)
OPEB liability end of year	<u>\$ 164,865</u>	<u>\$ 182,097</u>

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**Sensitivity of the Town's OPEB Liability to Changes in the Discount Rate** – The December 31, 2021 actuarial valuation was prepared using a discount rate of 2.25%. If the discount rate were 1% higher than what was used the OPEB liability would decrease to \$162,281. If the discount rate were 1% lower than what was used the OPEB liability would increase to \$206,428.

	Discount Rate		
	1% Decrease	Baseline 2.25%	1% Increase
Total OPEB Liability	\$ 206,428	\$ 182,097	\$ 162,281

**Sensitivity of the Town's OPEB Liability to Changes in the Healthcare Cost Trend Rates** – The December 31, 2021 actuarial valuation was prepared using an initial trend rate of 4.70%. If the trend rate were 1% higher than what was used the OPEB liability would increase to \$219,096. If the trend rate were 1% lower than what was used the OPEB liability would decrease to \$152,773.

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 4.70%	1% Increase
Total OPEB Liability	\$ 152,773	\$ 182,097	\$ 219,096

**OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB** – For the year ended December 31, 2021, the Town recognized OPEB expense of \$17,232. As the Town elected to use the Alternative Measurement Method, no deferred inflows or outflows of resources are recognized.

**NOTE 16 – ENCUMBRANCES**

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at December 31, 2021 and are as follows:

General fund:	
Capital outlay	\$ 610,770

**NOTE 17 – GOVERNMENTAL AND FIDUCIARY FUNDS NET POSITION**

Net position reported on the governmental and fiduciary funds Statements of Net Position at December 31, 2021 include the following:

	Governmental Activities	Fiduciary Funds
Net investment in capital assets:		
Net book value, all capital assets	\$ 32,916,253	\$ -
Less:		
Capital leases payable	(358,015)	-
Total net investment in capital assets	32,558,238	-
Restricted net position:		
Library	388,627	-
Perpetual care - nonexpendable	75,209	-
Perpetual care - expendable	129,753	-
Hubbard and Davis Public Forest Reserve	15,059	-
Grants	3,360	-
Drug forfeiture	10,486	-
Capital project	1,138,429	-
Private purpose trust funds		184,080
Agency trust funds	-	6,324,008
Escrows	-	2,320,075
Total restricted net position	1,760,923	8,828,163
Unrestricted	(4,296,591)	-
Total net position	\$ 30,022,570	\$ 8,828,163

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**NOTE 18 – GOVERNMENTAL FUND BALANCES**

Governmental fund balances reported on the fund financial statements at December 31, 2021 include the following:

	General Fund	Nonmajor Funds	Total Governmental Funds
<b>Nonspendable:</b>			
Tax deeded property	\$ 130,023	\$ -	\$ 130,023
Permanent fund - principal balance	-	75,209	75,209
Total nonspendable fund balance	<u>130,023</u>	<u>75,209</u>	<u>205,232</u>
<b>Restricted:</b>			
Permanent - income balance	-	129,753	129,753
Public Library	-	388,627	388,627
Hubbard and Davis Public Forest Reserve	-	15,059	15,059
Grants	-	3,360	3,360
Drug forfeiture	-	10,486	10,486
Capital project	-	1,138,429	1,138,429
Total restricted fund balance	<u>-</u>	<u>1,685,714</u>	<u>1,685,714</u>
<b>Committed:</b>			
Expendable trust	3,209,544	-	3,209,544
Non-lapsing appropriations	610,770	-	610,770
Conservation commission	-	638,215	638,215
Police commercial detail	-	52,215	52,215
Recycling special waste	-	43,077	43,077
Recreation	-	113,791	113,791
Total committed fund balance	<u>3,820,314</u>	<u>847,298</u>	<u>4,667,612</u>
<b>Unassigned</b>	<u>3,870,318</u>	<u>-</u>	<u>3,870,318</u>
Total governmental fund balances	<u>\$ 7,820,655</u>	<u>\$ 2,608,221</u>	<u>\$ 10,428,876</u>

**NOTE 19 – 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 2021, 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, 2021 to December 31, 2021 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 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. In 2021 the Town paid \$133,584 and \$106,265 respectively, to Primex for property, liability, and worker's compensation. 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 20 – COVID-19**

As a result of the spread of COVID-19, Coronavirus, economic uncertainties continue. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

**TOWN OF CONWAY, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2021**

The Town was allotted a total of \$1,073,278 in federal funding from the American Rescue Plan Act (ARPA) in 2021. A total of \$536,639 or 50% of the funding was received in 2021. The remainder is expected to be received in 2022. Eligible uses of these funds include pandemic response or its negative impacts, workforce/personnel, including payroll and hazard/premium pay, provision of government services to the extent of reduced revenue and necessary water, sewer, and broadband investment. For the year ended December 31, 2021 the Town spent \$181,935 of the funds received. The remaining funds are included in deferred inflows of resources until eligible expenditures have been made.

The full extent of the financial impact cannot be determined as of the date of the financial statements.

**NOTE 21 – TAX ABATEMENTS**

Governmental Accounting Standards Board Statement No. 77, *Tax Abatement Disclosures*, defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

**NOTE 22 – 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 January 9, 2023, the date the December 31, 2021 financial statements were available to be issued, and the following occurred that requires 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, 2021*  
*Unaudited*

Fiscal year-end	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021
Measurement date	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Town's proportion of the net pension liability	0.18902336%	0.19109216%	0.18348652%	0.18859997%	0.19406030%	0.18896261%	0.18058001%	0.18130860%	0.18707591%
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	\$ 8,688,886	\$11,596,772	\$ 8,291,053
Town's covered payroll (as of measurement date)	\$ 4,052,959	\$ 4,104,417	\$ 4,196,038	\$ 4,542,885	\$ 4,877,667	\$ 4,939,121	\$ 4,872,510	\$ 5,092,052	\$ 5,244,305
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%	178.32%	227.74%	158.10%
Plan fiduciary net position as a percentage of the total pension liability	59.81%	66.32%	65.47%	58.30%	62.66%	64.73%	65.59%	58.72%	72.22%

*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, 2021*  
*Unaudited*

Fiscal year-end	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021
Measurement date	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Contractually required contribution	\$ 470,013	\$ 619,947	\$ 615,576	\$ 675,337	\$ 710,927	\$ 798,665	\$ 785,851	\$ 805,449	\$ 914,062
Contributions in relation to the contractually required contributions	(470,013)	(619,947)	(615,576)	(675,337)	(710,927)	(798,665)	(785,851)	(805,449)	(914,062)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll ( as of fiscal year)	\$ 4,052,959	\$ 4,104,417	\$ 4,196,038	\$ 4,542,885	\$ 4,877,667	\$ 4,939,121	\$ 4,872,510	\$ 5,092,052	\$ 5,164,767
Contributions as a percentage of covered payroll	11.60%	15.10%	14.67%	14.87%	14.58%	16.17%	16.13%	15.82%	17.70%

**TOWN OF CONWAY, NEW HAMPSHIRE**  
**NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –**  
**PENSION LIABILITY**  
**FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2021**

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

***Changes in Benefit Terms*** - There were no changes in benefit terms for the current period.

***Changes in Assumptions*** – There were no changes in assumptions for the current period.

***Methods and Assumptions Used to Determine Contribution Rates***– A full list of the methods and assumptions used to determine the contribution rates can be found in the most recent actuarial valuation report. This report can be located at [www.nhrs.org](http://www.nhrs.org).

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, 2021. 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.

**EXHIBIT H**  
**TOWN OF CONWAY, NEW HAMPSHIRE**  
*Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefits Liability*  
*New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*  
*For the Fiscal Year Ended December 31, 2021*  
*Unaudited*

Fiscal year-end	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021
Measurement date	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Town's proportion of the net OPEB liability	0.11888939%	0.12242095%	0.18390126%	0.17556992%	0.16255395%	0.16971346%
Town's proportionate share of the net OPEB liability (asset)	\$ 575,550	\$ 559,750	\$ 841,984	\$ 769,718	\$ 711,513	\$ 679,629
Town's covered payroll (as of measurement date)	\$ 4,542,885	\$ 4,877,667	\$ 4,939,121	\$ 4,872,510	\$ 5,092,052	\$ 5,244,305
Town's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	12.67%	11.48%	17.05%	15.80%	13.97%	12.96%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%	7.75%	7.74%	11.06%

**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, 2021*  
**Unaudited**

Fiscal year-end	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021
Measurement date	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Contractually required contribution	\$ 69,082	\$ 72,559	\$ 81,345	\$ 80,123	\$ 75,453	\$ 71,392
Contributions in relation to the contractually required contribution	(69,082)	(72,559)	(81,345)	(80,123)	(75,453)	(71,392)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll (as of fiscal year)	\$ 4,542,885	\$ 4,877,667	\$ 4,939,121	\$ 4,872,510	\$ 5,092,052	\$ 5,164,767
Contributions as a percentage of covered payroll	1.52%	1.49%	1.65%	1.64%	1.48%	1.38%

**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, 2021**  
**Unaudited**

	December 31.			
	2018	2019	2020	2021
OPEB liability, beginning of year	\$ 276,244	\$ 253,836	\$ 175,027	\$ 164,865
Changes for the year:				
Service cost	498	498	498	498
Interest	10,461	9,181	6,336	7,623
Assumption changes and difference between actual and expected experience	(33,367)	(88,488)	(16,996)	9,111
OPEB liability, end of year	<u>\$ 253,836</u>	<u>\$ 175,027</u>	<u>\$ 164,865</u>	<u>\$ 182,097</u>
Covered payroll	<u>\$ 4,902,196</u>	<u>\$ 5,373,559</u>	<u>\$ 5,616,172</u>	<u>\$ 5,331,079</u>
Total OPEB liability as a percentage of covered payroll	5.18%	3.26%	2.94%	3.42%

**TOWN OF CONWAY, NEW HAMPSHIRE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –**  
**OTHER POSTEMPLOYMENT BENEFIT LIABILITY**  
**FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2021**

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

***Changes in Benefit Terms*** - There were no changes in benefit terms for the current period.

***Changes in Assumptions*** – There were no changes in assumptions for the current period.

***Methods and Assumptions Used to Determine Contribution Rates***– A full list of the methods and assumptions used to determine the contribution rates can be found in the most recent actuarial valuation report. This report can be located at [www.nhrs.org](http://www.nhrs.org).

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, 2021. 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.

***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, 2021. 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, 2021*

	Estimated	Actual	Variance Positive (Negative)
<b>Taxes:</b>			
Property	\$ 9,328,914	\$ 9,500,641	\$ 171,727
Land use change	100,000	130,294	30,294
Yield	30,000	39,681	9,681
Excavation	2,500	2,364	(136)
Payment in lieu of taxes	16,298	16,007	(291)
Interest and penalties on taxes	125,000	174,909	49,909
Total from taxes	<u>9,602,712</u>	<u>9,863,896</u>	<u>261,184</u>
<b>Licenses, permits, and fees:</b>			
Business licenses, permits, and fees	71,500	36,079	(35,421)
Motor vehicle permit fees	2,046,000	2,402,101	356,101
Building permits	125,000	255,757	130,757
Other	137,500	184,450	46,950
Total from licenses, permits, and fees	<u>2,380,000</u>	<u>2,878,387</u>	<u>498,387</u>
<b>Intergovernmental:</b>			
<b>State:</b>			
Meals and rooms distribution	753,661	753,661	-
Highway block grant	249,548	249,484	(64)
Other	7,191	17,015	9,824
<b>Federal:</b>			
Other	181,935	181,935	-
Other governments	209,320	270,466	61,146
Total from intergovernmental	<u>1,401,655</u>	<u>1,472,561</u>	<u>70,906</u>
<b>Charges for services:</b>			
Income from departments	469,100	553,979	84,879
Other charges	1,500	1,614	114
Total from charges for services	<u>470,600</u>	<u>555,593</u>	<u>84,993</u>
<b>Miscellaneous:</b>			
Sale of municipal property	160,000	244,601	84,601
Interest on investments	2,000	6,107	4,107
Other	56,000	128,691	72,691
Total from miscellaneous	<u>218,000</u>	<u>379,399</u>	<u>161,399</u>
<b>Other financing sources:</b>			
Transfers in	-	16,046	16,046
Total revenues and other financing sources	<u>\$ 14,072,967</u>	<u>\$ 15,165,882</u>	<u>\$ 1,092,915</u>
Unassigned fund balance used to reduce tax rate	275,000		
Total revenues, other financing sources, and use of fund balance	<u>\$ 14,347,967</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, 2021*

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 392,307	\$ 406,919	\$ -	\$ (14,612)
Election and registration	-	132,026	127,282	-	4,744
Financial administration	-	326,784	325,496	-	1,288
Revaluation of property	-	170,305	172,552	-	(2,247)
Legal	-	70,000	79,183	-	(9,183)
Personnel administration	-	1,193,482	1,183,611	-	9,871
Planning and zoning	-	187,693	186,943	-	750
General government buildings	-	203,866	165,943	-	37,923
Insurance, not otherwise allocated	-	57,451	57,451	-	-
Total general government	-	2,733,914	2,705,380	-	28,534
Public safety:					
Police	-	4,171,583	4,024,670	-	146,913
Ambulance	-	255,304	244,833	-	10,471
Fire	-	557,411	635,839	-	(78,428)
Building inspection	-	140,340	178,822	-	(38,482)
Emergency management	-	10,300	300	-	10,000
Total public safety	-	5,134,938	5,084,464	-	50,474
Airport operations	-	10,000	10,000	-	-
Highways and streets:					
Administration	-	63,369	65,822	-	(2,453)
Highways and streets	-	2,220,874	2,152,704	-	68,170
Bridges	-	-	8,150	-	(8,150)
Street lighting	-	44,000	30,974	-	13,026
Total highways and streets	-	2,328,243	2,257,650	-	70,593
Sanitation:					
Administration	-	63,369	63,777	-	(408)
Solid waste disposal	-	844,754	707,528	-	137,226
Total sanitation	-	908,123	771,305	-	136,818
Health:					
Administration	-	2,750	2,750	-	-
Health agencies	-	47,115	47,000	-	115
Total health	-	49,865	49,750	-	115
Welfare:					
Administration and direct assistance	-	95,675	87,827	-	7,848
Vendor payments and other	-	116,737	116,852	-	(115)
Total welfare	-	212,412	204,679	-	7,733
Culture and recreation:					
Parks and recreation	-	494,696	455,708	-	38,988
Library	-	553,476	518,199	-	35,277
Patriotic purposes	-	27,800	12,590	-	15,210
Other	-	65,000	65,000	-	-
Total culture and recreation	-	1,140,972	1,051,497	-	89,475
Conservation	-	17,500	14,198	-	3,302

(continued)

See Independent Auditor's Report

**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, 2021*

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Interest on tax anticipation notes	-	2,000	420	-	1,580
Capital outlay	827,900	-	217,130	610,770	-
Other financing uses:					
Transfers out	-	1,810,000	1,810,000	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$827,900</u>	<u>\$ 14,347,967</u>	<u>\$ 14,176,473</u>	<u>\$ 610,770</u>	<u>\$ 388,624</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, 2021**

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)		\$ 3,010,264
Changes:		
Unassigned fund balance used to reduce 2021 tax rate		(275,000)
2021 Budget summary:		
Revenue surplus (Schedule 1)	\$ 1,092,915	
Unexpended balance of appropriations (Schedule 2)	<u>388,624</u>	
2021 Budget surplus		1,481,539
Decrease in nonspendable fund balance		<u>18,524</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		4,235,327
 <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		(415,009)
Elimination of the allowance for uncollectible taxes		<u>50,000</u>
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		<u><u>\$ 3,870,318</u></u>

**SCHEDULE 4**  
**TOWN OF CONWAY, NEW HAMPSHIRE**  
*Nonmajor Governmental Funds*  
**Combining Balance Sheet**  
**December 31, 2021**

	Special Revenue Funds				
	Hubbard and Davis Public		Conservation Commission	Grants	Police Commercial Detail
	Public Library	Forest Reserve			
<b>ASSETS</b>					
Cash and cash equivalents	\$ 78,916	\$ -	\$ -	\$ 29,181	\$ 52,215
Investments	309,711	15,059	629,521	-	-
Interfund receivable	-	-	8,694	3,776	-
Total assets	<u>\$ 388,627</u>	<u>\$ 15,059</u>	<u>\$ 638,215</u>	<u>\$ 32,957</u>	<u>\$ 52,215</u>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ 20,167	\$ -
Interfund payable	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,167</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - grants and donations	-	-	-	9,430	-
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	-	-
Restricted	388,627	15,059	-	3,360	-
Committed	-	-	638,215	-	52,215
Total fund balances	<u>388,627</u>	<u>15,059</u>	<u>638,215</u>	<u>3,360</u>	<u>52,215</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 388,627</u>	<u>\$ 15,059</u>	<u>\$ 638,215</u>	<u>\$ 32,957</u>	<u>\$ 52,215</u>

Special Revenue Funds			Capital Project Fund	Permanent Fund	Total
Recycling Special Waste	Recreation	Drug Forfeiture	Recreation Path		
\$141,644	\$150,867	\$10,486	\$1,164,755	\$204,962	\$1,833,026
-	-	-	-	-	954,291
-	-	-	-	-	12,470
<u>\$141,644</u>	<u>\$150,867</u>	<u>\$10,486</u>	<u>\$1,164,755</u>	<u>\$204,962</u>	<u>\$2,799,787</u>
\$1,977	\$2,991	\$-	\$26,326	\$-	\$51,461
96,590	34,085	-	-	-	130,675
<u>98,567</u>	<u>37,076</u>	<u>-</u>	<u>26,326</u>	<u>-</u>	<u>182,136</u>
-	-	-	-	-	9,430
-	-	-	-	75,209	75,209
-	-	10,486	1,138,429	129,753	1,685,714
43,077	113,791	-	-	-	847,298
<u>43,077</u>	<u>113,791</u>	<u>10,486</u>	<u>1,138,429</u>	<u>204,962</u>	<u>2,608,221</u>
<u>\$141,644</u>	<u>\$150,867</u>	<u>\$10,486</u>	<u>\$1,164,755</u>	<u>\$204,962</u>	<u>\$2,799,787</u>

See Independent Auditor's Report

**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, 2021**

	Special Revenue Funds				
		Hubbard and Davis Public			Police Commercial
	Public Library	Forest Reserve	Conservation Commission	Grants	Detail
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ 130,294	\$ -	\$ -
Intergovernmental	32,037	-	-	228,523	-
Charges for services	-	-	-	-	40,325
Miscellaneous	37,499	5	118,938	22,352	8
Total revenues	<u>69,536</u>	<u>5</u>	<u>249,232</u>	<u>250,875</u>	<u>40,333</u>
<b>EXPENDITURES</b>					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	98,127	39,191
Sanitation	-	-	-	-	-
Welfare	-	-	-	9,270	-
Culture and recreation	21,794	-	-	146,133	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>21,794</u>	<u>-</u>	<u>-</u>	<u>253,530</u>	<u>39,191</u>
Excess (deficiency) of revenues over (under) expenditures	<u>47,742</u>	<u>5</u>	<u>249,232</u>	<u>(2,655)</u>	<u>1,142</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	(16,046)	-	-	-	-
Net change in fund balances	31,696	5	249,232	(2,655)	1,142
Fund balances, beginning	356,931	15,054	388,983	6,015	51,073
Fund balances, ending	<u>\$ 388,627</u>	<u>\$ 15,059</u>	<u>\$ 638,215</u>	<u>\$ 3,360</u>	<u>\$ 52,215</u>

Special Revenue Funds			Capital Project Fund		Total
Recycling Special Waste	Recreation	Drug Forfeiture	Recreation Path	Permanent Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 130,294
-	-	-	-	-	260,560
147,765	185,829	-	-	-	373,919
9	50,020	8,001	1,170,587	261	1,407,680
<u>147,774</u>	<u>235,849</u>	<u>8,001</u>	<u>1,170,587</u>	<u>261</u>	<u>2,172,453</u>
-	-	-	-	3,040	3,040
-	-	-	-	-	137,318
230,643	-	-	-	-	230,643
-	-	-	-	-	9,270
-	176,844	-	-	-	344,771
-	-	-	32,158	-	32,158
<u>230,643</u>	<u>176,844</u>	<u>-</u>	<u>32,158</u>	<u>3,040</u>	<u>757,200</u>
(82,869)	59,005	8,001	1,138,429	(2,779)	1,415,253
-	-	-	-	-	(16,046)
(82,869)	59,005	8,001	1,138,429	(2,779)	1,399,207
125,946	54,786	2,485	-	207,741	1,209,014
<u>\$ 43,077</u>	<u>\$ 113,791</u>	<u>\$ 10,486</u>	<u>\$ 1,138,429</u>	<u>\$ 204,962</u>	<u>\$ 2,608,221</u>



**SCHEDULE 6**  
**TOWN OF CONWAY, NEW HAMPSHIRE**  
**Custodial Funds**  
**Combining Schedule of Custodial Funds Fiduciary Net Position**  
**December 31, 2021**

	Custodial Funds				Total
	Taxes	Trust Funds	Escrows	State of NH Motor Vehicle	
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 6,324,008	\$ 2,088,808	\$ -	\$ 8,412,816
Investments	-	-	242,589	-	242,589
Intergovernmental receivables	6,976,439	-	-	-	6,976,439
Total assets	<u>6,976,439</u>	<u>6,324,008</u>	<u>2,331,397</u>	<u>-</u>	<u>15,631,844</u>
<b>LIABILITIES</b>					
Accounts payable	-	-	11,322	-	11,322
Intergovernmental payables:					
School	6,976,439	-	-	-	6,976,439
Total liabilities	<u>6,976,439</u>	<u>-</u>	<u>11,322</u>	<u>-</u>	<u>6,987,761</u>
<b>NET POSITION</b>					
Restricted	<u>\$ -</u>	<u>\$ 6,324,008</u>	<u>\$ 2,320,075</u>	<u>\$ -</u>	<u>\$ 8,644,083</u>

See Independent Auditor's Report

**SCHEDULE 7**  
**TOWN OF CONWAY, NEW HAMPSHIRE**  
**Custodial Funds**  
**Combining Schedule of Custodial Funds Changes in Fiduciary Net Position**  
**For the Fiscal Year Ended December 31, 2021**

	Custodial Funds				Total
	Taxes	Trust Funds	Escrows	State of NH Motor Vehicle	
<b>ADDITIONS</b>					
Contributions	\$ -	\$ 964,432	\$ 2,028,145	\$ -	\$ 2,992,577
Investment earnings	-	13,368	244	-	13,612
Tax collections for other governments	22,589,779	-	-	-	22,589,779
State motor vehicle fees	-	-	-	769,680	769,680
Total additions	<u>22,589,779</u>	<u>977,800</u>	<u>2,028,389</u>	<u>769,680</u>	<u>26,365,648</u>
<b>DEDUCTIONS</b>					
Benefits paid	-	952,059	-	-	952,059
Payments of taxes to other governments	22,589,779	-	-	-	22,589,779
Payments of motor vehicle fees to State	-	-	-	769,680	769,680
Payments for escrow purposes	-	-	840,250	-	840,250
Total deductions	<u>22,589,779</u>	<u>952,059</u>	<u>840,250</u>	<u>769,680</u>	<u>25,151,768</u>
Change in net position	-	25,741	1,188,139	-	1,213,880
Net position, beginning	-	6,298,267	1,131,936	-	7,430,203
Net position, ending	<u>\$ -</u>	<u>\$ 6,324,008</u>	<u>\$ 2,320,075</u>	<u>\$ -</u>	<u>\$ 8,644,083</u>

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



## PLODZIK & SANDERSON

*Professional Association/Accountants & Auditors*

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Town of Conway, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Town of Conway's basic financial statements, and have issued our report thereon dated January 9, 2023.

#### ***Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2021-001 to be a material weakness.

#### ***Compliance and Other Matters***

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

#### ***Town of Conway Response to Finding***

The Town of Conway's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Town of Conway's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

#### ***Purpose of this Report***

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

*Sheryl A. Platt, CPA*  
PLODZIK & SANDERSON  
Professional Association

January 9, 2023  
Concord, New Hampshire



## **PLODZIK & SANDERSON**

*Professional Association/Accountants & Auditors*

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### ***INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE***

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

#### ***Report on Compliance for Each Major Federal Program***

We have audited the Town of Conway's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Conway's major federal programs for the year ended December 31, 2021. The Town of Conway's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Town of Conway's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Conway's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

#### ***Opinion on Each Major Federal Program***

In our opinion, the Town of Conway complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

#### ***Report on Internal Control Over Compliance***

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

**Town of Conway**

**Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control  
Over Compliance Required by the Uniform Guidance**

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Sheryl A. Platt, CPA*

PLODZIK & SANDERSON  
Professional Association

January 9, 2023  
Concord, New Hampshire



**SCHEDULE I (CONTINUED)**  
**TOWN OF CONWAY, NEW HAMPSHIRE**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2021**

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**Condition:** When fieldwork began during the last week of May 2022, the December 31, 2021 bank statement was not properly reconciled. A deposit in the amount of \$161,033 was recorded twice in the accounting system, and once corrected in the accounting system, the cash balance was now off over \$160,000 compared to the bank reconciliations. The correction to this difference was not identified during the week of audit fieldwork. Additionally, the uncollected property tax balances per the accounting system did not agree to reports from the tax collector's system by approximately \$200,000. This issue was also not resolved during the original week of audit fieldwork. Although these issues were eventually corrected in August of 2022, this caused significant delays in completing the audit fieldwork.

**Cause:** Balance sheet reconciliations were not being performed on a timely basis.

**Effect:** The lack of timely reconciliations has the potential to cause serious errors in the financial records and financial statements. There is also substantial risk that irregularities, whether due to error or fraud, could occur and potentially go undetected.

**Recommendation:** We recommend that the Town formally develops a process or policy to ensure that balance sheet reconciliations be completed by the end of the next month. The process or policy should also address how identified discrepancies should be resolved.

**Management Response:** The condition of the balance sheet reconciliations was the result of the new Finance Director and Bookkeeper, a rough transition within the Finance Department, the COVID pandemic and a software transition. All of which resulted in falling behind on reconciliations. Since the end of 2021, the reconciliations are completed within the recommended time of the end of the following month and are completely up to date.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**NONE**



**SCHEDULE II**  
**TOWN OF CONWAY, NEW HAMPSHIRE**  
*Schedule of Expenditures of Federal Awards*  
*For the Fiscal Year Ended December 31, 2021*

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through to Subrecipients	Total Federal Expenditures
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
Passed Through the New Hampshire Community Development Finance Authority				
Community Development Block Grant/State's Program	14.228	N/A	\$ 135,791	\$ 146,133
<b>U.S. DEPARTMENT OF JUSTICE</b>				
Passed Through the State of New Hampshire Department of Justice				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	\$ -	\$ 60,000
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
Passed Through the State of New Hampshire Department of Transportation				
Highway Planning and Construction				
NH 16 (Main St) Roadway Reconstruction, Sidewalk & Waterline Improvement:	20.205	N/A	-	2,100,468
NH Route 16, NH Route 113, NH Route 153 (Eastern Project)	20.205	N/A	-	67,368
<i>PROGRAM TOTAL</i>			-	2,167,836
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
Passed Through the New Hampshire Department of Safety				
Hazard Mitigation Grant	97.039	N/A	-	10,000
<b>U.S. INSTITUTE OF MUSIUM AND LIBRARY SERVICES</b>				
Passed Through the State of New Hampshire State Library				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	-	3,802
<b>DIRECT FUNDING</b>				
<b>U.S. DEPARTMENT OF TREASURY</b>				
COVID-19- Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	-	181,935
<i>Total Expenditures of Federal Awards</i>			<u>\$ 135,791</u>	<u>\$ 2,569,706</u>

The Notes to the Schedule of Expenditures of Federal Awards is an integral part of this statement.

**TOWN OF CONWAY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

***Note 1. Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Town of Conway under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Conway, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town of Conway.

***Note 2. Summary of Significant Accounting Policies***

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

***Note 3. Indirect Cost Rate***

The Town of Conway has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.