

**TOWN OF CONWAY,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2014**

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PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, major fund, and aggregate remaining fund information of the Town of Conway as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major fund, and aggregate remaining fund information of the Town of Conway as of December 31, 2014, 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.

Other Matters

Required Supplementary Information - Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 3 through 9) and the Schedule of Funding Progress for Other Postemployment Benefit Plan (page 36) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers them to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain 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

Town of Conway
Independent Auditor's Report

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

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

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

October 14, 2015

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, and deferred inflows of resources with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other governmental units, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the Town are divided into two categories: governmental funds and fiduciary funds.

Governmental funds: Governmental fund statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and change in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures, and changes in fund balances for the general fund which includes the expendable trust funds. 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 seven precincts in Conway as well as 114 cemetery funds and seven scholarship funds. Fiduciary funds are overseen by the Trustees of the Trust. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs.

Current assets include cash, investments, taxes receivable and other receivables. Capital assets are buildings, building improvements, infrastructure and improvements, vehicles and equipment all net of depreciation. Land is included yet not depreciated. Long-term liabilities are bonds, and notes due in more than one year, currently only one long-term note is owed for the Library's expansion. In addition this number includes compensated absences which are not expected to be paid within a year. Compensated absences are accumulated vacation and sick time which would be paid to employees on separation from the Town. The Town does not contribute to retirees health insurance cost but, since active employees and retirees are rated together the rates for active employees are higher. This creates an implicit rate subsidy which is reported as OPEB (Other Post- Employment Benefits). Also included in long-term liabilities are the accrued landfill closure and post-closure care costs, as well as capital leases.

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

STATEMENT OF NET POSITION		Increase (Decrease)	
	2014	2013	
CURRENT AND OTHER ASSETS	15,257,100	12,976,432	2,280,668
CAPITAL ASSETS, NET OF DEPRECIATION	25,785,290	24,367,426	1,417,864
TOTAL ASSETS	41,042,390	37,343,858	3,698,532
LONG-TERM LIABILITIES OUTSTANDING	3,516,498	3,335,526	180,972
OTHER LIABILITIES	8,793,696	6,785,849	2,007,847
TOTAL LIABILITIES	12,310,194	10,121,375	2,188,819
DEFERRED INFLOWS	42,025		
NET POSITION	28,690,171	27,222,483	1,467,688
NET INVESTMENT IN CAPITAL ASSETS	25,476,597	23,957,444	1,519,153
RESTRICTED	220,879	229,296	(8,417)
UNRESTRICTED	2,992,695	3,035,743	(43,048)
TOTAL NET POSITION	28,690,171	27,222,483	1,467,688

The change in net position is made up partially of changes in capital assets. This year infrastructure increased because the Town of Conway continues to schedule road work in cooperation with the North Conway Water Precinct and Conway Village Fire District. Additionally, a former state road, Washington Street, became a town road after the state negotiated to pay for the majority of the reconstruction costs. The reimbursement of this project by the state DOT did not occur until the summer of 2015.

Road reconstruction costs were reduced for three reasons: the precincts continue to coordinate with our Town Engineer on installations and upgrades of their underground water and sewer lines; the DOT paid 75% of the cost of Washington Street; and construction permit fees collected aided in covering the cost of the improved access to the new Walmart. The Police Department purchased two vehicles. Two trucks, one with a dump body and sander and one with a plow and dump body, were purchased for the Highway Department. The Solid Waste Department purchased a new baler with assistance from “NH the Beautiful” grant funding and recycling revenue. At this time each landfill expansion phase will last about 17 years. That would mean that a new landfill would not be needed until approximately 2068. Recycling has greatly extended the life of the landfill and money that has been put aside in a capital reserve fund for landfill expansion made it unnecessary to obtain a bond for this expansion.

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. 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.

TOWN OF CONWAY STATEMENT OF ACTIVITIES

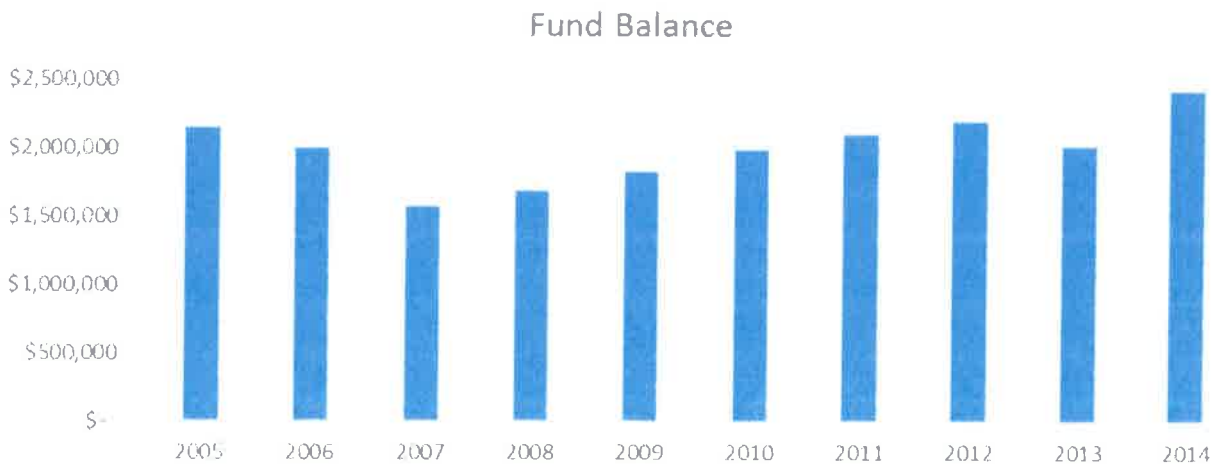
	Expenses	Program Revenues		Net (Expense) Revenue & Change in Net Position
		Charges for Services	Operating Grants & Contributions	
Governmental activities				
General government	\$ 2,298,781	\$ 31,854	\$ 62,504	\$ (2,204,423)
Public Safety	4,045,050	111,028	-	(3,934,022)
Airport	10,000	-	-	(10,000)
Highway and streets	2,644,545	28,963	677,606	(1,937,976)
Sanitation	1,195,071	281,568	108,494	(805,009)
Health	203,924	-	-	(203,924)
Welfare	101,051	7,302	-	(93,749)
Culture and recreation	1,117,030	107,217	-	(1,009,813)
Conservation	25,052	-	-	(25,052)
Interest long-term debt	10,567	-	-	(10,567)
Total governmental activities	\$ 11,651,071	\$ 567,932	\$ 848,604	\$ (10,234,535)

General Revenues:		
Taxes:		
Property		7,923,415
Other		385,007
Motor vehicle fees		1,620,838
Licenses & other fees		246,562
Grants & contributions not restricted to specific programs		673,615
Miscellaneous		852,786
Total general revenues		<u>11,702,223</u>
Change in net position		1,467,688
Net position beginning		<u>27,222,483</u>
Net position ending		<u><u>\$ 28,690,171</u></u>

The year 2014 ended with an unassigned fund balance (non-GAPP budgetary basis) in the General Fund of \$2,414,706 the unassigned fund balance at the beginning of 2013 was \$2,013,781. For 2014 revenues exceeded estimates by \$373,945. Unexpended or unencumbered appropriations were \$293,229. For 2014, \$350,000 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 15% of the total of the town's appropriation, plus state and local education taxes, and precinct taxes. This total for 2014 was \$29,231,005. Therefore, the recommended amount to be retained is between \$1,461,550 and \$4,384,651. The Town's retained fund balance of \$2,414,706 is 8.26%.

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

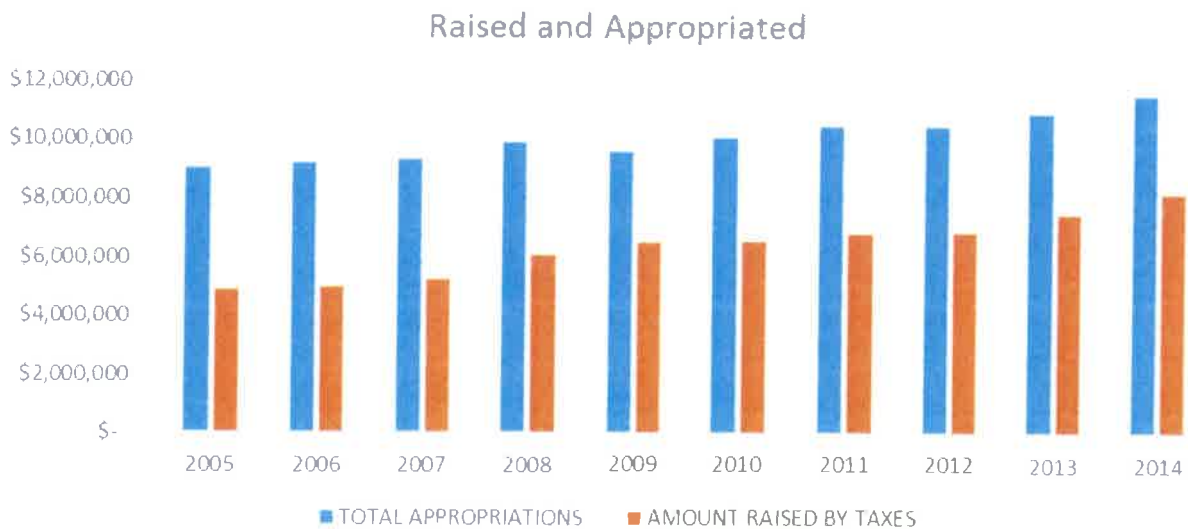


In the past 10 years the total net assessed value of the Town of Conway has increased 10.6% from \$1,255,015,320 to \$1,388,549,357. The increase in value of the Town from 2009 to 2013 ranged from a ½% to 1% annually, which had a large impact on stabilizing the tax rate each year. So, a drop in value by over 1% from 2013 to 2014 played a role in the increased tax rate.

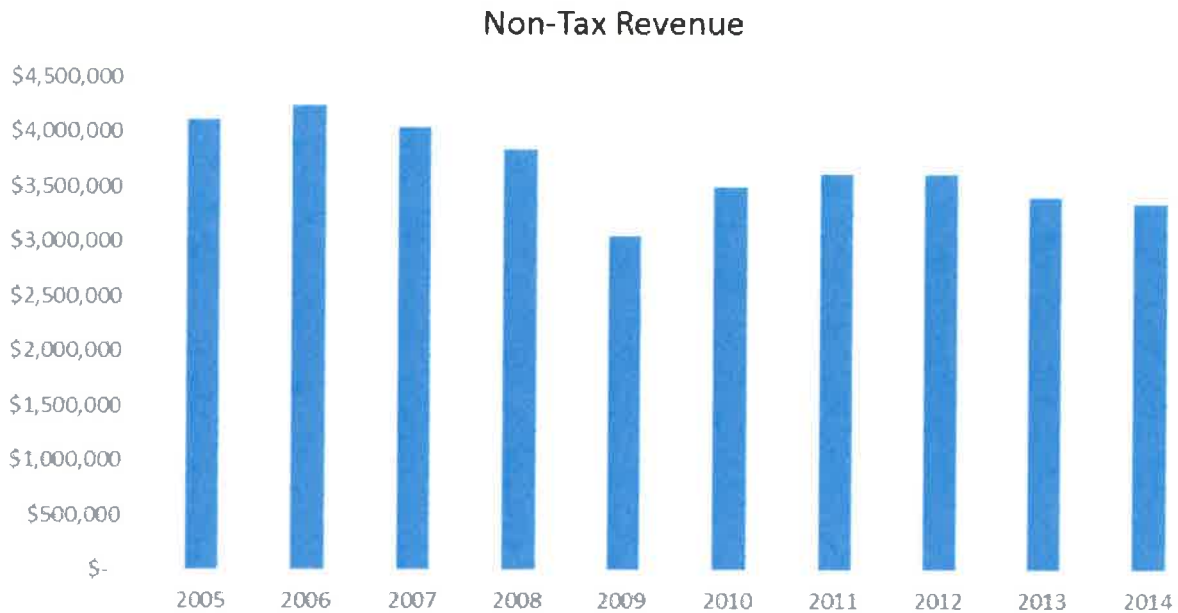
The 10 year increase in value is shown in the chart below.



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



Non tax revenues, which were increasing, dropped off sharply in 2009. The sharp decline has leveled off. It is, however, likely that revenues from the State of New Hampshire will continue to decline. The Town increased some fees charged for services for 2015 to compensate for the reduction in the State’s Highway Block grant funding as well as the diminishing Rooms and Meals tax revenues.



The following chart shows the Municipal tax rate for the same 10-year period.



YEAR	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
OPERATING BUDGET	10,189,547	9,686,674	9,149,323	8,998,983	8,929,327	9,199,343	9,339,365	8,812,428	8,709,232	8,481,897
WARRANT ARTICLES	1,104,407	993,002	1,106,367	1,238,083	937,938	153,000	338,681	285,137	287,840	338,102
NON PROFITS	201,615	188,500	182,679	177,326	158,565	183,049	191,615	177,749	175,549	174,963
TOTAL APPROPRIATIONS	11,495,569	10,868,177	10,438,369	10,414,392	10,025,830	9,535,392	9,869,661	9,275,314	9,172,621	8,994,962
\$ RAISED BY TAXES	8,140,339	7,457,674	6,816,623	6,796,272	6,524,810	6,475,875	6,028,280	5,231,681	4,929,697	4,875,664
NON TAX REVENUES	3,355,230	3,410,503	3,621,746	3,618,120	3,501,020	3,059,517	3,841,381	4,043,633	4,242,924	4,119,298
MUNICIPAL TAX RATE	5.72	5.19	5.07	4.59	4.96	4.59	4.45	3.98	3.84	3.88
% RAISED BY TAXES	71%	69%	65%	65%	65%	68%	61%	56%	54%	54%
MUNICIPAL VALUATION	1,388,549,357	1,403,726,665	1,398,325,665	1,389,429,265	1,374,926,765	1,368,950,300	1,354,679,413	1,313,281,390	1,284,930,920	1,255,015,320
FUND BALANCE	2,414,706	2,013,781	2,195,344	2,094,737	1,980,339	1,827,458	1,677,222	1,566,219	1,997,872	2,146,740

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

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF CONWAY, NEW HAMPSHIRE
Statement of Net Position
December 31, 2014

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 6,782,827
Investments	5,224,825
Taxes receivable (net)	2,651,567
Accounts receivable (net)	16,565
Intergovernmental receivable	497,392
Inventory	2,224
Tax dedeed property, subject to resale	81,700
Capital assets:	
Land and construction in progress	7,326,431
Other capital assets, net of depreciation	18,458,859
Total assets	41,042,390
LIABILITIES	
Accounts payable	85,325
Accrued salaries and benefits	162,888
Retainage payable	16,291
Accrued interest payable	3,960
Intergovernmental payable	8,305,784
Long-term liabilities:	
Due within one year	219,448
Due in more than one year	3,516,498
Total liabilities	12,310,194
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - Property taxes	20,198
Unavailable revenue - Advanced grant funding	21,827
Total deferred outflows of resources	42,025
NET POSITION	
Net investment in capital assets	25,476,597
Restricted	220,879
Unrestricted	2,992,695
Total net position	\$ 28,690,171

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, 2014

	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Change In Net Position
General government	\$ 2,298,781	\$ 31,854	\$ 62,504	\$ (2,204,423)
Public safety	4,045,050	111,028	-	(3,934,022)
Airport	10,000	-	-	(10,000)
Highways and streets	2,644,545	28,963	677,606	(1,937,976)
Sanitation	1,195,071	281,568	108,494	(805,009)
Health	203,924	-	-	(203,924)
Welfare	101,051	7,302	-	(93,749)
Culture and recreation	1,117,030	107,217	-	(1,009,813)
Conservation	25,052	-	-	(25,052)
Interest on long-term debt	10,567	-	-	(10,567)
Total governmental activities	\$ 11,651,071	\$ 567,932	\$ 848,604	(10,234,535)
General revenues:				
Taxes:				
Property				7,923,415
Other				385,007
Motor vehicle permit fees				1,620,838
Licenses and other fees				246,562
Grants and contributions not restricted to specific programs				673,615
Miscellaneous				852,786
Total general revenues				<u>11,702,223</u>
Change in net position				1,467,688
Net position, beginning				27,222,483
Net position, ending				<u>\$ 28,690,171</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, 2014

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 6,508,145	\$ 274,682	\$ 6,782,827
Investments	4,051,065	1,173,760	5,224,825
Accounts receivable (net)	16,565	-	16,565
Taxes	2,686,567	-	2,686,567
Due from other governments	497,392	-	497,392
Interfund receivable	5,829	-	5,829
Inventory	2,224	-	2,224
Tax deeded property, subject to resale	81,700	-	81,700
Total assets	<u>\$ 13,849,487</u>	<u>\$ 1,448,442</u>	<u>\$ 15,297,929</u>
LIABILITIES			
Accounts payable	\$ 85,325	\$ -	\$ 85,325
Accrued salaries and benefits	162,888	-	162,888
Due to other governments	8,305,784	-	8,305,784
Interfund payable	-	5,829	5,829
Retainage payable	16,291	-	16,291
Total liabilities	<u>8,570,288</u>	<u>5,829</u>	<u>8,576,117</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - Property taxes	577,310	-	577,310
Unavailable revenue - Advanced grant funding	-	21,827	21,827
Total deferred inflows of resources	<u>577,310</u>	<u>21,827</u>	<u>599,137</u>
FUND BALANCES			
Nonspendable	83,924	74,943	158,867
Restricted	-	461,974	461,974
Committed	2,712,685	883,869	3,596,554
Assigned	12,686	-	12,686
Unassigned	1,892,594	-	1,892,594
Total fund balances	<u>4,701,889</u>	<u>1,420,786</u>	<u>6,122,675</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 13,849,487</u>	<u>\$ 1,448,442</u>	<u>\$ 15,297,929</u>

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

EXHIBIT C-2
TOWN OF CONWAY, NEW HAMPSHIRE
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
December 31, 2014

Total fund balances of governmental funds (Exhibit C-1)		\$ 6,122,675
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.		
Cost	\$ 31,653,137	
Less accumulated depreciation	<u>(5,867,847)</u>	25,785,290
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (5,829)	
Payables	<u>5,829</u>	-
Property taxes are recognized on an accrual basis in the Statement of Net Position and on a modified accrual basis in the governmental funds		
Deferred inflows of resources - property taxes	\$ 557,112	
Allowance for uncollectible property taxes	<u>(35,000)</u>	522,112
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(3,960)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bond	\$ 225,000	
Capital lease	83,693	
Compensated absences	699,597	
Other postemployment benefits	733,656	
Accrued landfill closure and postclosure care costs	<u>1,994,000</u>	<u>(3,735,946)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ 28,690,171</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, 2014

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 8,257,221	\$ 15,019	\$ 8,272,240
Licenses and permits	1,867,400	-	1,867,400
Intergovernmental	1,459,715	62,461	1,522,176
Charges for services	289,734	278,198	567,932
Miscellaneous	109,416	73,158	182,574
Total revenues	<u>11,983,486</u>	<u>428,836</u>	<u>12,412,322</u>
EXPENDITURES			
Current:			
General government	2,235,640	8,460	2,244,100
Public safety	3,980,400	37,090	4,017,490
Airport	10,000	-	10,000
Highways and streets	2,373,759	-	2,373,759
Sanitation	816,658	184,301	1,000,959
Health	203,924	-	203,924
Welfare	100,014	-	100,014
Culture and recreation	982,924	92,766	1,075,690
Conservation	17,174	7,878	25,052
Debt service:			
Principal	75,000	-	75,000
Interest	11,692	-	11,692
Capital outlay	946,724	62,461	1,009,185
Total expenditures	<u>11,753,909</u>	<u>392,956</u>	<u>12,146,865</u>
Excess of revenues over expenditures	<u>229,577</u>	<u>35,880</u>	<u>265,457</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	40,955	-	40,955
Transfers out	-	(40,955)	(40,955)
Total other financing sources (uses)	<u>40,955</u>	<u>(40,955)</u>	<u>-</u>
Net change in fund balances	270.532	(5,075)	265,457
Fund balances, beginning, as restated (see Note 17)	4,431,357	1,425,861	5,857,218
Fund balances, ending	<u>\$ 4,701,889</u>	<u>\$ 1,420,786</u>	<u>\$ 6,122,675</u>

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

EXHIBIT C-4
TOWN OF CONWAY, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2014

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 265,457
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.		
Capitalized capital outlay	\$ 1,546,427	
Depreciation expense	<u>(773,351)</u>	773,076
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		644,788
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (40,955)	
Transfers out	<u>40,955</u>	-
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Change in deferred inflows of resources relating to tax revenue	\$ 20,182	
Change in allowance for uncollectible property taxes	<u>16,000</u>	36,182
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Repayment of bond principal	\$ 75,000	
Repayment of capital lease	<u>26,289</u>	101,289
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 1,125	
Increase in compensated absences payable	(93,446)	
Increase postemployment benefits payable	(92,783)	
Increase in accrued landfill closure and postclosure care costs	<u>(168,000)</u>	(353,104)
Changes in net position of governmental activities (Exhibit B)		<u>\$ 1,467,688</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, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
REVENUES				
Taxes	\$ 8,044,593	\$ 8,044,593	\$ 8,293,403	\$ 248,810
Licenses and permits	1,791,200	1,791,200	1,867,400	76,200
Intergovernmental	919,642	996,071	1,000,541	4,470
Charges for services	242,400	242,400	289,734	47,334
Miscellaneous	111,659	111,659	103,910	(7,749)
Total revenues	<u>11,109,494</u>	<u>11,185,923</u>	<u>11,554,988</u>	<u>369,065</u>
EXPENDITURES				
Current:				
General government	2,200,487	2,200,487	2,092,310	108,177
Public safety	4,076,835	4,076,835	3,921,888	154,947
Airport	10,000	10,000	10,000	-
Highways and streets	2,032,575	2,032,575	2,102,662	(70,087)
Sanitation	832,771	832,771	765,587	67,184
Health	2,975	204,590	203,924	666
Welfare	303,739	102,124	100,014	2,110
Culture and recreation	873,683	873,683	841,389	32,294
Conservation	15,200	15,200	17,174	(1,974)
Debt service:				
Principal	75,000	75,000	75,000	-
Interest	12,304	12,304	11,692	612
Capital outlay	-	76,429	76,429	-
Total expenditures	<u>10,435,569</u>	<u>10,511,998</u>	<u>10,218,069</u>	<u>293,929</u>
Excess of revenues over expenditures	<u>673,925</u>	<u>673,925</u>	<u>1,336,919</u>	<u>662,994</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	36,075	36,075	40,955	4,880
Transfers out	<u>(1,060,000)</u>	<u>(1,060,000)</u>	<u>(1,060,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,023,925)</u>	<u>(1,023,925)</u>	<u>(1,019,045)</u>	<u>4,880</u>
Net change in fund balances	<u>\$ (350,000)</u>	<u>\$ (350,000)</u>	317,874	<u>\$ 667,874</u>
Decrease in nonspendable fund balance			83,051	
Unassigned fund balance, beginning			2,013,781	
Unassigned fund balance, ending			<u>\$ 2,414,706</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, 2014

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	\$ -	\$ 64,601
Investments	161,965	4,556,032
Accounts receivable	-	1,650
Total assets	<u>161,965</u>	<u>4,622,283</u>
LIABILITIES		
Due to other governmental units	-	3,878,729
Due to others	-	743,554
Total liabilities	<u>-</u>	<u>4,622,283</u>
NET POSITION		
Held in trust for specific purposes	<u>\$ 161,965</u>	<u>\$ -</u>

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

EXHIBIT E-2
TOWN OF CONWAY, NEW HAMPSHIRE
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended December 31, 2014

	Private Purpose Trust
ADDITIONS	
New funds	\$ 10,557
Interest	29
Total revenue	10,586
DEDUCTIONS	
Scholarships	4,500
Change in net position	6,086
Net position, beginning	155,879
Net position, ending	\$ 161,965

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, 2014

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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, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Conway, New Hampshire (the Town), have been prepared in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The more significant of the Town's accounting policies are described below.

1-A Reporting Entity

The Town of Conway is a municipal corporation governed by an elected 5-member Board of Selectmen. The reporting entity is comprised of the primary government and any other organizations (*component units*) that are included to ensure that the financial statements are not misleading.

Component units are legally separate organizations for which the Town is financially accountable. The Town is financially accountable for an organization if the Town appoints a voting majority of the organization's governing board, and (1) the Town is able to significantly influence the programs or services performed or provided by the organizations; or (2) the Town is legally entitled to or can otherwise access the organization's resources; (3) the Town is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Town is obligated for the debt of the organization. Based on the foregoing criteria, no other organizations are included in the Town's financial reporting entity.

1-B Government-wide and Fund Financial Statements

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

The Statement of Net Position presents the financial position of the governmental activities of the Town at year-end. This statement includes all of the Town's assets, liabilities, deferred inflows of resources, and net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

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

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

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

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2014

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. Property taxes, licenses and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

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

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

The Town reports the following major governmental fund:

General Fund – all general revenues and other receipts that are not allocated by law or contracted agreement to another fund are accounted for in this fund. This fund accounts for general operating expenditures, fixed charges, and the capital improvement costs that are not reported in other funds.

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

Additionally, the Town reports the following fund types:

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

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

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

Fiduciary Funds – The Town also reports the following fiduciary fund types:

Agency Fund - used to account for assets held in a trustee or agency capacity on behalf of outside parties, including other governments.

Private Purpose Trust Funds – used to report trust arrangement under which principal and income benefit individuals, private organizations, or other governments.

1-D Cash and Cash Equivalents

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

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383:22. Funds may be deposited in banks outside 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, 2014

1-E Investments

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

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

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

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

Investments for the Town are reported at fair value generally based on quoted market prices.

1-F Receivables

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

1-G Interfund Balances

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Short-term Interfund loans are reported as "Interfund receivables and payables." Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

1-H Inventory

The inventories of the Town are valued at cost using the first-in/first-out (FIFO) method. The inventories of the Town's general fund consist of materials and supplies held for subsequent use. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

1-I Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated minimum useful life in excess of one year. As the Town constructs or acquires additional capital assets each year, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

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

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

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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DECEMBER 31, 2014

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

1-J Deferred Inflows of Resources

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

1-K Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year. Billings for the year were on May 20, 2014 and November 12, 2014. Interest accrues at a rate of 12% on bills outstanding after the due date and 18% on tax liens outstanding.

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

The Town net assessed valuation as of April 1, 2014 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 1,355,934,257
For all other taxes	\$ 1,388,549,357

The tax rates and amounts assessed for the year ended December 31, 2014 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$5.72	\$ 7,949,827
School portion:		
State of New Hampshire	\$2.59	3,506,115
Local	\$9.33	12,946,998
County portion	\$1.22	1,698,038
Precinct portions:		
Center Conway Fire	\$0.83	175,707
Conway Village Fire	\$3.21	607,514
East Conway Fire	\$1.87	57,676
Fire Assessment	\$0.90	279,489
Intervale Lighting	\$0.06	3,891
Kearsarge Lighting	\$0.14	12,514
North Conway Water	\$3.04	1,745,929
Redstone Fire	\$0.79	56,795
Total		\$ 29,040,493

1-L Compensated Absences

The Town's policy allows certain employees to earn varying amounts of vacation and sick pay based on the employee's length of employment. Upon separation from service, employees are paid in full for any accrued leave earned as set forth by personnel policy. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2014

1-M Long-Term Obligations

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

1-N Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. Claims and judgments are recorded in the government-wide financial statements as expense when the related liabilities are incurred. There were no significant claims or judgments at year-end.

1-O 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-P Net Position/Fund Balance Reporting

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

- a) ***Net investment in capital assets*** – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.
- b) ***Restricted net position*** – Consists of net position with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) ***Unrestricted net position*** – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Balance Classifications - The fund balance of governmental funds is reported in five categories based on the nature of any limitations requiring the use of resources for specific programs. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The classifications used in the Town’s governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form; or (b) are legally or contractually required to be maintained intact.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2014

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

Assigned – This classification includes amounts that are constrained by the Town’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Selectmen through the budgetary process.

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

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

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

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

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

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2014, \$350,000 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

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

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

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

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 11,595,943
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
To record revenue of the blended funds	464,680
Change in property tax revenue relating to 60-day revenue recognition	(20,182)
Change in allowance for uncollectible property taxes	(16,000)
Per Exhibit C-3 (GAAP basis)	<u>\$ 12,024,441</u>

(Continued)

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2014

Budgetary reconciliation to GAAP basis continued:

Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 11,278,069
Adjustment:	
Basis differences:	
Encumbrances, beginning	16,012
Encumbrances, ending	(10,953)
GASB Statement No. 54:	
To record expenditures of the blended funds	1,530,781
To eliminate transfers between general and expendable trust funds	(1,060,000)
Per Exhibit C-3 (GAAP basis)	<u>\$ 11,753,909</u>

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

At December 31, 2014, the reported amount of the Town's deposits was \$6,847,428 and the bank balance was \$7,172,724. Of the bank balance \$6,335,271 was covered by federal depository insurance or by collateral held by the Town's agent in the Town's name, and \$837,453 was uninsured and uncollateralized.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 6,782,827
Cash per Statement of Fiduciary Net Position (Exhibit E-1)	64,601
Total cash and cash equivalents	<u>\$ 6,847,428</u>

NOTE 4 – INVESTMENTS

Note 1-E describes statutory requirements covering the investment of the Town funds. The Town also maintains a portfolio of investments, consisting of Certificates of Deposits and New Hampshire Public Deposit Investment Pool deposits. At December 31, 2014, this Town had the following investments and maturities:

	<u>Fair Value</u>	<u>1-5 Years</u>	<u>Total</u>
Investments type:			
Certificates of Deposit	\$ -	\$ 158,552	\$ 158,552
New Hampshire Public Deposit Investment Pool	9,784,270	-	9,784,270
Total fair value	<u>\$ 9,784,270</u>	<u>\$ -</u>	<u>\$ 9,942,822</u>

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 5,224,825
Investments per Statement of Fiduciary Net Position (Exhibit E-1)	4,717,997
Total investments	<u>\$ 9,942,822</u>

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2014

NOTE 5 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2014. The amount has been reduced by an allowance for an estimated uncollectible amount of \$35,000. Taxes receivable by year are as follows:

	As reported on:	
	Exhibit A	Exhibit C-1
Property:		
Levy of 2014	\$ 1,814,697	\$ 1,814,697
Unredeemed (under tax lien):		
Levy of 2013	472,548	472,548
Levy of 2012	364,311	364,311
Levies of 2011 and prior	29,022	29,022
Yield	5,988	5,988
Land use change	1	1
Less: allowance for estimated uncollectible taxes	(35,000) *	-
Net taxes receivable	<u>\$ 2,651,567</u>	<u>\$ 2,686,567</u>

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

NOTE 6 – RECEIVABLES

Receivables at December 31, 2014, consisted of accounts (billings for police details, ambulance, and other user charges) and intergovernmental amounts arising from grants. Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

Receivables as of December 31, 2014 for the Town's individual major fund and agency funds including applicable allowances for uncollectible accounts are as follows:

	General Fund	Agency Funds	Total
Receivables:			
Accounts	\$ 16,667	\$ 1,650	\$ 18,317
Due from other governments	497,392		497,392
Gross receivables	514,059	1,650	515,709
Less: allowance for uncollectibles	(102)	-	(102)
Net total receivables	<u>\$ 513,957</u>	<u>\$ 1,650</u>	<u>\$ 515,607</u>

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 consisted of the following:

	Balance, beginning	Additions	Disposals	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 5,595,783	\$ -	\$ -	\$ 5,595,783
Construction in progress	-	1,730,648	-	1,730,648
Total capital assets not being depreciated	<u>5,595,783</u>	<u>1,730,648</u>	<u>-</u>	<u>7,326,431</u>
Being depreciated:				
Buildings and building improvements	5,623,694	79,125	-	5,702,819
Machinery, equipment, and vehicles	4,150,864	406,909	(179,642)	4,378,131
Infrastructure	14,200,352	-	-	14,200,352
Intangible assets	45,404	-	-	45,404
Total capital assets being depreciated	<u>24,020,314</u>	<u>486,034</u>	<u>(179,642)</u>	<u>24,326,706</u>
Total all capital assets	<u>29,616,097</u>	<u>2,216,682</u>	<u>(179,642)</u>	<u>31,653,137</u>

(Continued)

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2014

Capital assets continued:

	Balance, beginning	Additions	Disposals	Balance, ending
Less accumulated depreciation:				
Buildings and building improvements	(1,361,511)	(114,182)	-	(1,475,693)
Machinery, equipment, and vehicles	(1,772,400)	(253,548)	154,175	(1,871,773)
Infrastructure	(2,089,031)	(402,594)	-	(2,491,625)
Intangible assets	(25,729)	(3,027)		(28,756)
Total accumulated depreciation	<u>(5,248,671)</u>	<u>(773,351)</u>	<u>154,175</u>	<u>(5,867,847)</u>
Net book value, capital assets being depreciated	18,771,643	(287,317)	(25,467)	18,458,859
Net book value, all capital assets	<u>\$ 24,367,426</u>	<u>\$ 1,443,331</u>	<u>\$ (25,467)</u>	<u>\$ 25,785,290</u>

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

General government	\$ 25,422
Public safety	45,810
Highways and streets	565,650
Sanitation	74,924
Culture and recreation	61,945
Total depreciation expense	<u>\$ 773,751</u>

NOTE 8 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances in the amount of \$5,829 as of December 31, 2014 consists of balances due from the nonmajor conservation commission (\$2,888) and nonmajor grants funds (\$2,941).

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 in the amount of \$40,955 for the year ended December 31, 2014 consists of a transfer from the nonmajor public library fund to the general fund for its share of the debt.

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 of \$8,305,784 at December 31, 2014 consist of the following:

General fund:	
Balance due to the Conway School District	\$ 8,303,113
Balance due to the State of New Hampshire for miscellaneous clerk fees	2,671
Total general fund	<u>8,305,784</u>
Agency funds:	
Balance of capital reserve funds due to the:	
Center Conway Fire Precinct	138,607
Conway Village Fire District	563,684
East Conway Fire Precinct	27,900
Kearsarge Lighting Precinct	39,090
North Conway Water Precinct	1,850,727
Redstone Fire Precinct	35,079
Conway School District	1,223,642
Total agency funds	<u>3,878,729</u>
Total intergovernmental payables due	<u>\$ 12,184,513</u>

TOWN OF CONWAY, NEW HAMPSHIRE
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NOTE 10 – DEFERRED INFLOWS OF RESOURCES

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

	General Fund	Nonmajor Governmental Funds	Total
Deferred property taxes not collected within 60 days of fiscal year-end	\$ 557,112 *	\$ -	\$ 557,112
Property taxes collected in advance of commitment	20,198	-	20,198
Grants and donations received in advance of eligible expenditures	-	21,827	21,827
Total deferred inflows of resources	<u>\$ 577,310</u>	<u>\$ 21,827</u>	<u>\$ 599,137</u>

*Balance is not recognized under the full-accrual basis of accounting, as presented on Exhibit A.

NOTE 11 – CAPITAL LEASE

The Town has entered into a certain capital lease agreement 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, 2014
Capital lease obligation:		
Trackless tractor	3.00%	<u>\$ 83,693</u>

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

	Governmental Activities
Machinery, equipment, and vehicles:	
Trackless tractor	\$ 139,570
Less: accumulated depreciation	13,957
Total capital lease equipment	<u>\$ 125,613</u>

The annual requirements to amortize the capital lease payable as of December 31, 2014, including interest payments, are as follows:

Fiscal Year Ending December 31,	Governmental Activities
2015	\$ 29,588
2016	29,588
2017	29,588
Total requirements	88,764
Less: interest	5,071
Present value of remaining payments	<u>\$ 83,693</u>

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

TOWN OF CONWAY, NEW HAMPSHIRE
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NOTE 12 – SHORT-TERM DEBT

Changes in the Town’s short-term borrowings during the year ended December 31, 2014 consisted of the following:

Governmental Activities	Original Issue	Interest Rate	Balance January 1, 2014	Issues	Redemptions	Balance December 31, 2014
Tax anticipation notes	\$ 1,750,000	0.89%	\$ -	\$ 550,000	\$ 550,000	\$ -
Tax anticipation notes	500,000	0.81%	-	-	-	-
Total short-term borrowings	<u>\$ 2,250,000</u>		<u>\$ -</u>	<u>\$ 550,000</u>	<u>\$ 550,000</u>	<u>\$ -</u>

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, 2014:

	Balance January 1, 2014	Additions	Reductions	Balance December 31, 2014	Due Within One Year
General obligation bond	\$ 300,000	\$ -	\$ (75,000)	\$ 225,000	\$ 75,000
Capital leases	109,982	-	(26,289)	83,693	27,077
Compensated absences	606,151	93,446	-	699,597	117,371
Accrued landfill closure and postclosure care costs	1,826,000	168,000	-	1,994,000	-
Net other postemployment benefits	640,873	92,783	-	733,656	-
Total long-term liabilities	<u>\$ 3,483,006</u>	<u>\$ 354,229</u>	<u>\$ (101,289)</u>	<u>\$ 3,735,946</u>	<u>\$ 219,448</u>

The long-term bond is comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2014
General obligation bond payable:					
Library addition	\$ 1,178,250	2002	2017	3.5-4.3	<u>\$ 225,000</u>

The annual requirements to amortize the general obligation bond outstanding as of December 31, 2014, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2015	\$ 75,000	\$ 6,312	\$ 81,312
2016	75,000	3,187	78,187
2017	75,000	1,613	76,613
Totals	<u>\$ 225,000</u>	<u>\$ 11,112</u>	<u>\$ 236,112</u>

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

Accrued Landfill Closure and Postclosure Care Costs – Federal and State laws and regulations require that the Town place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site after closure. A liability is being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used through the end of the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$1,994,000 as of December 31, 2014, which is based on 35% usage (filled) of the landfill. It is estimated that an additional \$854,000 will be recognized as closure and postclosure care costs between the date of the balance sheet and the date

TOWN OF CONWAY, NEW HAMPSHIRE
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the landfill is expected to be filled to capacity (2060). The estimated total current cost of the landfill closure and postclosure care(\$2,440,000) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2014. However, the actual cost of closure and postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

The State of New Hampshire Department of Environmental Services requires that all entities which received licensing for landfills since 1991 meet general financial assurance requirements. The Town has established a capital reserve fund for landfill closure and postclosure care costs. The balance of this capital reserve fund was \$1,810,880.

NOTE 14 – ENCUMBRANCES

Encumbrances outstanding of \$10,953 at December 31, 2014 relates to the executive function of the Town.

NOTE 15 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide Statement of Net Position at December 31, 2014 include the following:

Net investment in capital assets:		
Net property, buildings, and equipment	\$	25,785,290
Less:		
General obligation bond payable		(225,000)
Capital lease payable		(83,693)
Total net investment in capital assets		<u>25,476,597</u>
Restricted:		
Nonexpendable permanent funds		74,943
Expendable permanent funds		<u>145,936</u>
Total restricted		<u>220,879</u>
Unrestricted		<u>2,992,695</u>
Total net position	\$	<u><u>28,690,171</u></u>

NOTE 16 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2014 include the following:

Nonspendable:		
Major fund:		
General:		
Inventory	\$	2,224
Tax deeded property, held for resale		<u>81,700</u>
		<u>83,924</u>
Nonmajor fund:		
Permanent fund - principal balance		<u>74,943</u>
Total nonspendable fund balance		\$ 158,867
Restricted:		
Nonmajor funds:		
Public library	\$	292,879
Hubbard and Davis public forest reserve		14,591
Grants		26
Drug forfeiture		8,542
Permanent - income balance		<u>145,936</u>
Total restricted fund balance		461,974

(Continued)

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Governmental fund balances continued:

Committed:		
Major fund:		
General:		
Expendable trust	\$ 2,712,685	
Nonmajor funds:		
Conservation commission	776,851	
Police commercial detail	19,078	
Recycling special waste	17,061	
Recreation	70,879	
	883,869	
Total committed fund balance		3,596,554
Assigned:		
Major fund:		
General:		
Encumbrances	\$ 10,953	
D.A.R.E	1,733	
Total assigned fund balance		12,686
Unassigned:		
Major fund:		
General		1,892,594
Total governmental fund balances		\$ 6,122,675

NOTE 17 – PRIOR PERIOD ADJUSTMENTS

Fund balance at January 1, 2014 was restated to give retroactive effect to the following prior period adjustment:

	General Fund
To revise prior year deferred inflows of resources relating to property taxes for a change in methodology	\$ 1,441,865
Fund balance, as previously reported	2,989,492
Fund balance, as restated	\$ 4,431,357

NOTE 18 – EMPLOYEE RETIREMENT PLAN

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

The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. For fiscal year 2014, all employees except police officers and firefighters were required to contribute 7% of earnable compensation. The contribution rates were 11.55% for police officers and 11.80% for firefighters. The Town's contribution rates for 2014 for pension and medical subsidy were 25.30% for police officers, 27.74% for firefighters, and 10.77% for all other employees.

The contribution requirements for the Town of Conway for the fiscal years 2012, 2013, and 2014 were \$508,742, \$609,305, and \$684,979, respectively, which were paid in full in each year.

TOWN OF CONWAY, NEW HAMPSHIRE
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NOTE 19 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45, was implemented by the Town during fiscal year 2014, and requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported similar to pension plans. GASB Statement No. 45 does not mandate the pre-funding of postemployment benefit liabilities. However, any pre-funding of these benefits will help minimize or eliminate the postemployment benefit obligation that will be required to be reported on the financial statements.

The Town has only partially funded (on a pay-as-you-go basis) the annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2014:

Annual required contribution	\$ 358,761
Adjustment to annual required contribution	<u>(14,242)</u>
Annual OPEB cost (expense)	344,519
Contributions made	<u>(251,736)</u>
Increase in net OPEB obligation	92,783
Net OPEB obligation - beginning of year	640,873
Net OPEB Obligation - end of year	<u><u>\$ 733,656</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Contribution Cost	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
December 31, 2012	\$ 364,371	\$ (228,161)	62.60%	\$ 505,479
December 31, 2013	\$ 358,761	\$ (223,367)	62.30%	\$ 640,873
December 31, 2014	\$ 344,519	\$ (251,736)	73.10%	\$ 733,656

As of December 31, 2013, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$2,483,851, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,483,851. The covered payroll (annual payroll of active employees covered by the plan) was \$4,412,786 during fiscal year 2014, and the ratio of the UAAL to the covered payroll was 56.29%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for Other Postemployment Benefits Plan, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 20 – 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 2014, the Town was a member the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs. This entity is considered a public entity risk pool, currently operating as common risk management and insurance programs for member Towns and cities.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2014 to December 31, 2014 by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The estimated net contribution from the Town of Conway billed and paid for the year ended June 30, 2014 was \$78,445 for workers' compensation and \$103,075 for property/liability.

NOTE 21 – CONTINGENCIES

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

NOTE 22 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

The following GASB pronouncements were implemented by the Town for the fiscal year ended December 31, 2014, which included the early implementation of GASB Statement No. 65. Only GASB Statement No. 63 and GASB Statement No. 65 impacted these financial statements:

GASB Statement No. 67, *Financial Reporting for Pension Plans*, issued in June 2012. The guidance contained in this Statement will change how governments calculate and report the costs and obligations associated with pensions in important ways. They replace the requirements of Statements No. 27 and 50.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued in January 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations that have been transferred or sold.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, issued in April 2013. The objective of this Statement is to improve accounting and financial reporting by governments that extend and receive nonexchange financial guarantees.

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

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued in June 2012. The guidance contained in this Statement will change how governments calculate and report the costs and obligations associated with pensions in important ways. This replaces the requirements of Statements No. 27 and 50.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, issued in November 2013. This Statement addresses an issue in Statement No. 68 concerning transition provisions related to certain pension contributions made to defend benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

GASB Statement No. 72, *Fair Value Measurement and Application*, issued in February 2015, will be effective for the Town beginning with the fiscal year ending December 31, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements.

TOWN OF CONWAY, NEW HAMPSHIRE
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NOTE 23 – 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 October 14, 2015, the date the December 31, 2014 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT F
TOWN OF CONWAY, NEW HAMPSHIRE
Schedule of Funding Progress for Other Postemployment Benefit Plan
For the Fiscal Year Ended December 31, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
December 31, 2009	\$ -	\$ 1,877,943	\$ 1,877,943	0.00%	\$ 3,921,432	47.89%
December 31, 2010	\$ -	\$ 1,877,943	\$ 1,877,943	0.00%	\$ 3,959,525	47.43%
December 31, 2011	\$ -	\$ 1,877,943	\$ 1,877,943	0.00%	\$ 4,088,525	45.93%
December 31, 2012	\$ -	\$ 1,877,943	\$ 1,877,943	0.00%	\$ 4,152,916	45.22%
December 31, 2013	\$ -	\$ 1,877,943	\$ 1,877,943	0.00%	\$ 4,816,939	38.99%
December 31, 2014	\$ -	\$ 2,483,851	\$ 2,483,851	0.00%	\$ 4,412,786	56.29%

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

TOWN OF CONWAY, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
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Schedule of Funding Progress for Other Postemployment Benefits (OPEB)

As required by GASB Statement No. 45, Exhibit F represents the actuarial determined costs associated with the Town's other postemployment benefits for the fiscal year ended December 31, 2014 and the five preceding years.

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, 2014

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 7,790,339	\$ 7,923,415	\$ 133,076
Land use change	13,000	15,019	2,019
Yield	20,000	25,856	5,856
Excavation	850	808	(42)
Payment in lieu of taxes	20,404	24,254	3,850
Interest and penalties on taxes	200,000	304,051	104,051
Total from taxes	<u>8,044,593</u>	<u>8,293,403</u>	<u>248,810</u>
Licenses, permits, and fees:			
Business licenses, permits, and fees	15,000	15,930	930
Motor vehicle permit fees	1,543,000	1,620,838	77,838
Building permits	70,000	59,803	(10,197)
Other	163,200	170,829	7,629
Total from licenses, permits, and fees	<u>1,791,200</u>	<u>1,867,400</u>	<u>76,200</u>
Intergovernmental:			
State:			
Meals and rooms distribution	486,881	486,881	-
Highway block grant	217,648	218,432	784
Other	291,542	295,228	3,686
Total from intergovernmental	<u>996,071</u>	<u>1,000,541</u>	<u>4,470</u>
Charges for services:			
Income from departments	242,400	289,734	47,334
Miscellaneous:			
Sale of municipal property	104,359	19,084	(85,275)
Interest on investments	1,000	1,717	717
Fines and forfeits	4,400	5,473	1,073
Insurance dividends and reimbursements	-	60,519	60,519
Other	1,900	17,117	15,217
Total from miscellaneous	<u>111,659</u>	<u>103,910</u>	<u>(7,749)</u>
Other financing sources:			
Transfers in	36,075	40,955	4,880
Total revenues and other financing sources	11,221,998	<u>\$ 11,595,943</u>	<u>\$ 373,945</u>
Unassigned fund balance used to reduce tax rate	350,000		
Total revenues, other financing sources, and use of fund balance	<u>\$ 11,571,998</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, 2014

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ 12,950	\$ 240,820	\$ 236,855	\$ 10,953	\$ 5,962
Election and registration	-	120,065	108,426	-	11,639
Financial administration	-	289,875	288,689	-	1,186
Revaluation of property	-	163,143	162,355	-	788
Legal	-	77,000	65,196	-	11,804
Personnel administration	-	984,046	903,094	-	80,952
Planning and zoning	-	179,795	179,844	-	(49)
General government buildings	-	101,242	109,470	-	(8,228)
Cemeteries	-	1	-	-	1
Insurance, not otherwise allocated	-	44,500	40,378	-	4,122
Total general government	<u>12,950</u>	<u>2,200,487</u>	<u>2,094,307</u>	<u>10,953</u>	<u>108,177</u>
Public safety:					
Police	-	3,555,791	3,402,957	-	152,834
Ambulance	-	160,218	157,863	-	2,355
Fire	-	283,047	282,341	-	706
Building inspection	-	77,779	78,727	-	(948)
Total public safety	<u>-</u>	<u>4,076,835</u>	<u>3,921,888</u>	<u>-</u>	<u>154,947</u>
Airport	<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>-</u>
Highways and streets:					
Public works garage	-	64,342	65,548	-	(1,206)
Highways and streets	-	1,968,233	2,037,114	-	(68,881)
Total highways and streets	<u>-</u>	<u>2,032,575</u>	<u>2,102,662</u>	<u>-</u>	<u>(70,087)</u>
Sanitation:					
Administration	-	62,840	65,543	-	(2,703)
Solid waste disposal	-	769,931	700,044	-	69,887
Total sanitation	<u>-</u>	<u>832,771</u>	<u>765,587</u>	<u>-</u>	<u>67,184</u>
Health:					
Administration	-	2,975	2,309	-	666
Health agencies	-	201,615	201,615	-	-
Total health	<u>-</u>	<u>204,590</u>	<u>203,924</u>	<u>-</u>	<u>666</u>
Welfare:					
Administration	-	52,124	53,479	-	(1,355)
Direct assistance	-	50,000	46,535	-	3,465
Total welfare	<u>-</u>	<u>102,124</u>	<u>100,014</u>	<u>-</u>	<u>2,110</u>
Culture and recreation:					
Parks and recreation	3,062	339,622	338,308	-	4,376
Library	-	502,361	474,127	-	28,234
Other	-	31,700	32,016	-	(316)
Total culture and recreation	<u>3,062</u>	<u>873,683</u>	<u>844,451</u>	<u>-</u>	<u>32,294</u>
Conservation	<u>-</u>	<u>15,200</u>	<u>17,174</u>	<u>-</u>	<u>(1,974)</u>
Debt service:					
Principal of long-term debt	-	75,000	75,000	-	-
Interest on long-term debt	-	9,804	9,804	-	-
Interest on tax anticipation notes	-	2,500	1,888	-	612
Total debt service	<u>-</u>	<u>87,304</u>	<u>86,692</u>	<u>-</u>	<u>612</u>

(Continued)

SCHEDULE 2 (Continued)
TOWN OF CONWAY, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2014

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Capital outlay	-	76,429	76,429	-	-
Other financing uses:					
Transfers out	-	1,060,000	1,060,000	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 16,012</u>	<u>\$ 11,571,998</u>	<u>\$ 11,283,128</u>	<u>\$ 10,953</u>	<u>\$ 293,929</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, 2014

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)		\$ 2,013,781
Changes:		
Unassigned fund balance used to reduce 2014 tax rate		(350,000)
2014 Budget summary:		
Revenue surplus (Schedule 1)	\$ 373,945	
Unexpended balance of appropriations (Schedule 2)	<u>293,929</u>	
2014 Budget surplus		667,874
Decrease in nonspendable fund balance		<u>83,051</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis) (Exhibit D)		2,414,706
<i>Reconciliation of Non-GAAP Budgetary Basis to GAAP Basis:</i>		
To record deferred inflows of resources for property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis		(557,112)
To remove the allowance for uncollectible property taxes, recognized on a budgetary basis, but not on a GAAP basis		<u>35,000</u>
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		<u><u>\$ 1,892,594</u></u>

SCHEDULE 4
TOWN OF CONWAY, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2014

	Special Revenue Funds			
	Public Library	Hubbard and Davis Public Forest Reserve	Conservation Commission	Grants
ASSETS				
Cash and cash equivalents	\$ 134,328	\$ -	\$ -	\$ 24,794
Investments	158,551	14,591	779,739	-
Total assets	<u>\$ 292,879</u>	<u>\$ 14,591</u>	<u>\$ 779,739</u>	<u>\$ 24,794</u>
LIABILITIES				
Interfund payable	\$ -	\$ -	\$ 2,888	\$ 2,941
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - Advanced grant funding	-	-	-	21,827
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	292,879	14,591	-	26
Committed	-	-	776,851	-
Total fund balances	<u>292,879</u>	<u>14,591</u>	<u>776,851</u>	<u>26</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 292,879</u>	<u>\$ 14,591</u>	<u>\$ 779,739</u>	<u>\$ 24,794</u>

Police Commercial Detail	Special Revenue Funds			Capital Project Fund	Permanent Fund	Total
	Recycling Special Waste	Recreation	Drug Forfeiture	Transvale Acres		
\$ 19,078	\$ 17,061	\$ 70,879	\$ 8,542	\$ -	\$ -	\$ 274,682
-	-	-	-	-	220,879	1,173,760
<u>\$ 19,078</u>	<u>\$ 17,061</u>	<u>\$ 70,879</u>	<u>\$ 8,542</u>	<u>\$ -</u>	<u>\$ 220,879</u>	<u>\$ 1,448,442</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,829
-	-	-	-	-	-	21,827
-	-	-	-	-	74,943	74,943
-	-	-	8,542	-	145,936	461,974
19,078	17,061	70,879	-	-	-	883,869
<u>19,078</u>	<u>17,061</u>	<u>70,879</u>	<u>8,542</u>	<u>-</u>	<u>220,879</u>	<u>1,420,786</u>
<u>\$ 19,078</u>	<u>\$ 17,061</u>	<u>\$ 70,879</u>	<u>\$ 8,542</u>	<u>\$ -</u>	<u>\$ 220,879</u>	<u>\$ 1,448,442</u>

SCHEDULE 5
TOWN OF CONWAY, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2014

	Special Revenue Funds			
	Public Library	Hubbard and Davis Public Forest Reserve	Conservation Commission	Grants
REVENUES				
Taxes	\$ -	\$ -	\$ 15,019	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous	30,108	2	32,422	2,954
Total revenues	<u>30,108</u>	<u>2</u>	<u>47,441</u>	<u>2,954</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Sanitation	-	-	-	-
Culture and recreation	5,061	-	-	2,941
Conservation	-	-	7,878	-
Capital outlay	-	-	-	-
Total expenditures	<u>5,061</u>	<u>-</u>	<u>7,878</u>	<u>2,941</u>
Excess (deficiency) of revenues over (under) expenditures	<u>25,047</u>	<u>2</u>	<u>39,563</u>	<u>13</u>
OTHER FINANCING USES				
Transfers out	<u>(40,955)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(15,908)	2	39,563	13
Fund balances, beginning	308,787	14,589	737,288	13
Fund balances, ending	<u>\$ 292,879</u>	<u>\$ 14,591</u>	<u>\$ 776,851</u>	<u>\$ 26</u>

Special Revenue Funds				Capital Project Fund	Permanent Fund	Total
Police Commercial Detail	Recycling Special Waste	Recreation	Drug Forfeiture	Transvale Acres		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,019
-	-	-	-	62,461	-	62,461
39,647	131,334	107,217	-	-	-	278,198
10	44	24	7,551	-	43	73,158
<u>39,657</u>	<u>131,378</u>	<u>107,241</u>	<u>7,551</u>	<u>62,461</u>	<u>43</u>	<u>428,836</u>
-	-	-	-	-	8,460	8,460
37,090	-	-	-	-	-	37,090
-	184,301	-	-	-	-	184,301
-	-	84,764	-	-	-	92,766
-	-	-	-	-	-	7,878
-	-	-	-	62,461	-	62,461
<u>37,090</u>	<u>184,301</u>	<u>84,764</u>	<u>-</u>	<u>62,461</u>	<u>8,460</u>	<u>392,956</u>
<u>2,567</u>	<u>(52,923)</u>	<u>22,477</u>	<u>7,551</u>	<u>-</u>	<u>(8,417)</u>	<u>35,880</u>
-	-	-	-	-	-	(40,955)
2,567	(52,923)	22,477	7,551	-	(8,417)	(5,075)
16,511	69,984	48,402	991	-	229,296	1,425,861
<u>\$ 19,078</u>	<u>\$ 17,061</u>	<u>\$ 70,879</u>	<u>\$ 8,542</u>	<u>\$ -</u>	<u>\$ 220,879</u>	<u>\$ 1,420,786</u>