

**TOWN OF CONWAY,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019**

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PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Town of Conway as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, as issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and aggregate remaining fund information of the Town of Conway, as of December 31, 2019, and the respective changes in financial position and, the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2-C to the financial statements, in fiscal year 2019 the Town adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

Town of Conway
Independent Auditor's Report

Other Matters

Required Supplementary Information – Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements:

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

Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2020, on our consideration of the Town of Conway's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Conway's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Conway's internal control over financial reporting and compliance.

October 26, 2020

Sheryl A. Platt, CPA

PLODZIK & SANDERSON
Professional Association

TOWN OF CONWAY'S MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private sector business.

The statement of net position presents information on all the Town's assets, liabilities, deferred outflows of resources and deferred inflows of resources with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

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

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

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

The Town maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures, and changes in fund balances for the general fund which includes the expendable trust funds as well as DARE funds. Data from the other governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside of Town, including the capital reserve accounts for the school and the six precincts of Conway, as well as seven scholarship funds. Fiduciary funds and performance surety deposits held in escrow are not reflected in the government-wide financial statements, because the resources of those funds are not available to support the Town's own programs.

Current assets include cash, investments, taxes receivable and other receivables. Capital assets are buildings, building improvements, infrastructure and improvements, vehicles and equipment all net of depreciation. Land is included, yet not depreciated.

Comparative Statement of Capital Assets

At cost:	2019	2018	Change	% Change
Not being depreciated:				
Land	\$7,524,933	\$7,524,933	\$ -	0.00%
Construction in progress	280,574	-	280,574	100.00%
Total capital assets not being depreciated	7,805,507	7,524,933	280,574	3.73%
Being depreciated:				
Buildings and building improvements	7,171,436	6,319,426	852,010	13.48%
Machinery, equipment, and vehicles	5,885,949	5,502,328	383,621	6.97%
Infrastructure	18,767,657	18,767,657	-	0.00%
Total capital assets being depreciated	31,825,042	30,589,411	1,235,631	4.04%
Total all capital assets	39,630,549	38,114,344	1,516,205	3.98%
Less accumulated depreciation:				
Buildings and building improvements	(2,012,713)	(1,855,476)	(157,237)	8.47%
Machinery, equipment, and vehicles	(2,360,128)	(1,974,669)	(385,459)	19.52%
Infrastructure	(4,964,302)	(4,407,762)	(556,540)	12.63%
Total accumulated depreciation	(9,337,143)	(8,237,907)	(1,099,236)	13.34%
Net book value, capital assets being depreciated	22,487,899	22,351,504	136,395	0.61%
Net book value, all capital assets	\$30,293,406	\$29,876,437	\$416,969	1.40%

Long-term liabilities are bonds, notes and capital leases due in more than one year. The Town currently has no long-term debt. In addition to borrowing, long-term liabilities include compensated absences which are not expected to be paid within a year. Compensated absences are accumulated vacation and sick time which would be paid to employees on separation from the Town. The Town does not contribute to retirees' health insurance cost but, since active employees and retirees are rated together the rates for active employees are higher. This creates an implicit rate subsidy which is reported as OPEB (Other Post- Employment Benefits). Also included in long-term liabilities are the accrued landfill closure and post-closure care costs, as well as net pension liability.

Long-Term Liabilities

	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>% Change</u>
Compensated absences	\$1,038,325	\$951,020	\$87,305	9.18%
Net other postemployment benefits	944,745	1,095,820	(151,075)	-13.79%
Accrued landfill closure and postclosure care	2,306,820	2,238,810	68,010	3.04%
Net pension liability	<u>8,688,886</u>	<u>9,098,932</u>	<u>(410,046)</u>	<u>-4.51%</u>
Total	<u>\$12,978,776</u>	<u>\$13,384,582</u>	<u>\$(405,806)</u>	<u>-3.03%</u>

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

STATEMENT OF NET POSITION

	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>% Change</u>
Current and other assets	\$8,244,670	\$14,824,233	\$(6,579,563)	-44.38%
Capital assets, net of depreciation	<u>30,293,406</u>	<u>29,876,437</u>	<u>416,969</u>	<u>1.40%</u>
Total assets	<u>38,538,076</u>	<u>44,700,670</u>	<u>(6,162,594)</u>	<u>-13.79%</u>
Deferred outflows of resources	<u>939,920</u>	<u>1,433,767</u>	<u>(493,847)</u>	<u>-34.44%</u>
Long-term liabilities outstanding	12,978,776	13,384,582	(405,806)	-3.03%
Other liabilities	<u>512,218</u>	<u>7,481,121</u>	<u>(6,968,903)</u>	<u>-93.15%</u>
Total Liabilities	<u>13,490,994</u>	<u>20,865,703</u>	<u>(7,374,709)</u>	<u>-35.34%</u>
Deferred inflows of resources	<u>774,587</u>	<u>591,969</u>	<u>182,618</u>	<u>30.85%</u>
Net investment in capital assets	30,293,406	29,876,437	416,969	1.40%
Restricted net position	598,418	538,108	60,310	11.21%
Unrestricted net position	<u>(5,679,409)</u>	<u>(5,737,780)</u>	<u>58,371</u>	<u>-1.02%</u>
Total net position	<u>\$25,212,415</u>	<u>\$24,676,765</u>	<u>\$535,650</u>	<u>2.17%</u>

Comparative Statement of Activities

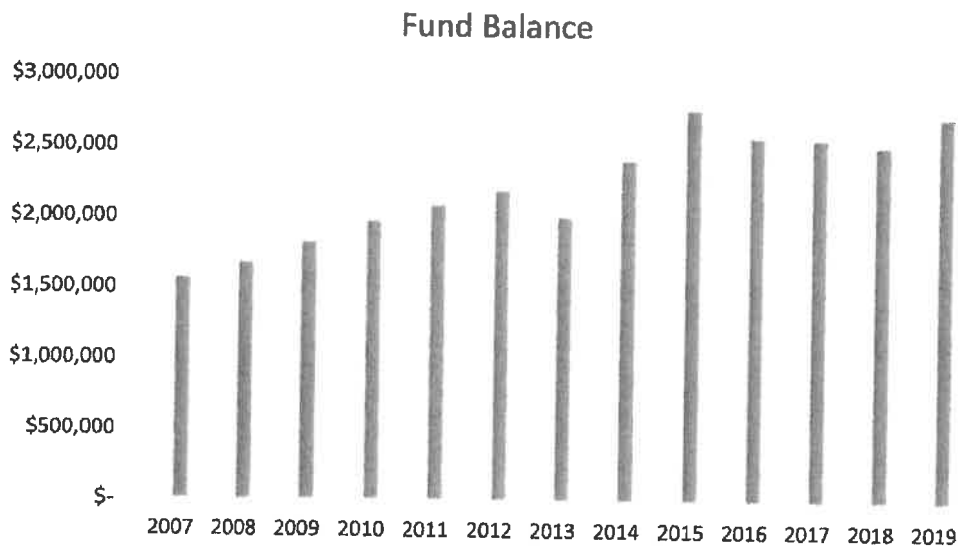
	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>% Change</u>
Expenses:				
General government	\$2,779,653	\$2,510,595	\$269,058	10.72%
Public safety	5,053,495	4,959,767	93,728	1.89%
Airport	10,000	10,000	-	0.00%
Highways and streets	3,636,815	3,041,494	595,321	19.57%
Sanitation	1,139,202	1,070,923	68,279	6.38%
Health	3,196	3,709	(513)	-13.83%
Welfare	244,791	232,606	12,185	5.24%
Culture and recreation	1,258,696	1,125,723	132,973	11.81%
Conservation	18,357	25,196	(6,839)	-27.14%
Interest on short-term debt	<u>980</u>	<u>-</u>	<u>980</u>	<u>100.00%</u>
Total expenditures	<u>14,145,185</u>	<u>12,980,013</u>	<u>1,165,172</u>	<u>8.98%</u>
Program revenues:				
Charges for services	660,851	678,704	(17,853)	-2.63%
Operating grants and contributions	405,324	603,587	(198,263)	-32.85%
General revenues:				
Property taxes and other taxes	9,112,349	9,025,599	86,750	0.96%
Motor vehicle permit fees	2,137,679	2,020,170	117,509	5.82%
Licenses and other fees	351,523	358,759	(7,236)	-2.02%
Grants and contributions not related to a specific program	1,718,105	702,723	1,015,382	144.49%
Unrestricted investment earnings	138,233	95,554	42,679	44.66%
Miscellaneous	<u>156,771</u>	<u>523,488</u>	<u>(366,717)</u>	<u>-70.05%</u>
Total revenues	<u>14,680,835</u>	<u>14,008,584</u>	<u>672,251</u>	<u>4.80%</u>
Beginning net position, as restated	24,676,765	23,648,194		
Ending net position	<u>25,212,415</u>	<u>24,676,765</u>		
Change in net position	<u>\$535,650</u>	<u>\$1,028,571</u>		

The first section of the Statement of Activities shows the relationship between expenses and offsetting revenues for various areas of Town government. The highway block grant is included in the operating budget's revenues. The fees charged by various departments for services are included in the charges for services. The lower section shows the categories of general revenues. Taxes and motor vehicle registrations are just that. The largest components of licenses and other fees are building permits and the cable television franchise fee.

The year 2019 ended with an unassigned fund balance (non-GAAP budgetary basis) in the General Fund of \$2,730,664. The unassigned fund balance at the beginning of 2019 was \$2,522,696. For 2019 revenues exceeded estimates by \$130,963. Unexpended or unencumbered appropriations were \$627,837. For 2019, \$550,000 from fund balance was used to reduce taxes.

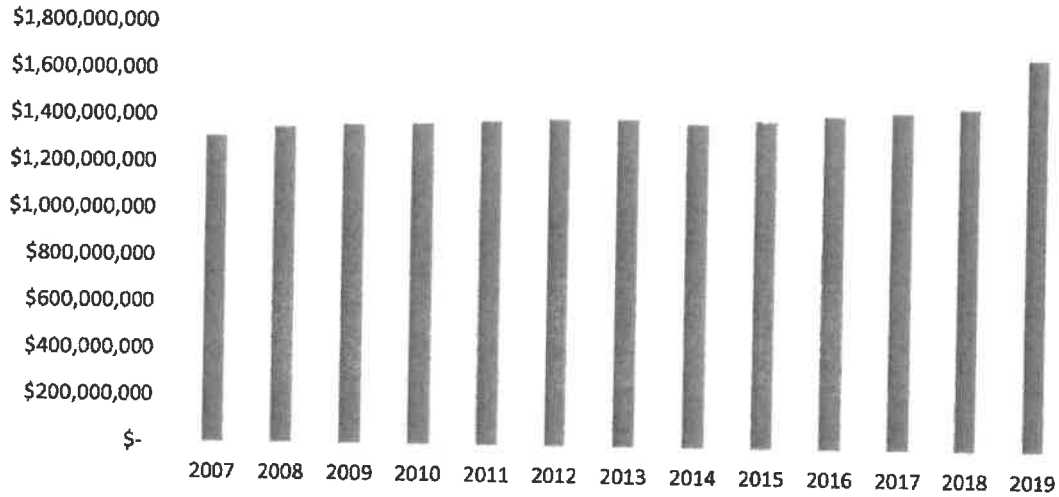
The Department of Revenue Administration and the Government Finance Officers Association recommend a retained fund balance of between 5% and 17% of the total of the town's appropriation, plus state and local education taxes, county taxes and precinct taxes. This total for 2019 was \$32,986,221. Therefore, the recommended amount to be retained is between \$1,649,311 and \$5,607,658. The Town's retained fund balance of \$2,730,664 is 8%.

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



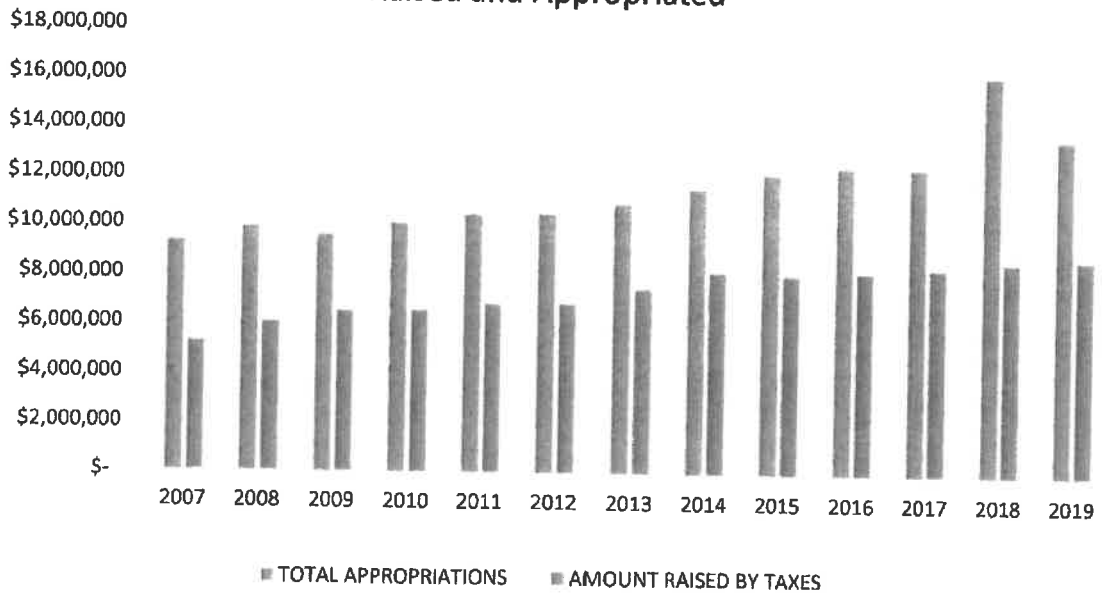
In the past 13 years the total net assessed value of the Town of Conway has increased 28% from \$1,313,281,390 to \$1,682,699,803. The increase in value of the Town has an impact on stabilizing the tax rate each year. The 13-year increase in value is shown in the chart below.

Town's Valuation

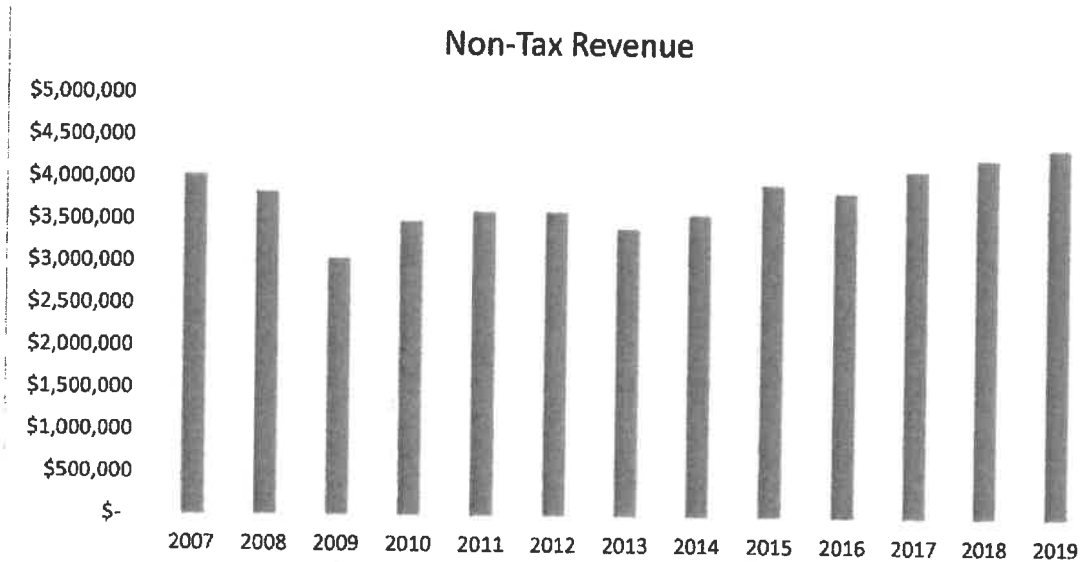


For the same period the relationship between total appropriations and the amount to be raised by taxes is shown in the chart below.

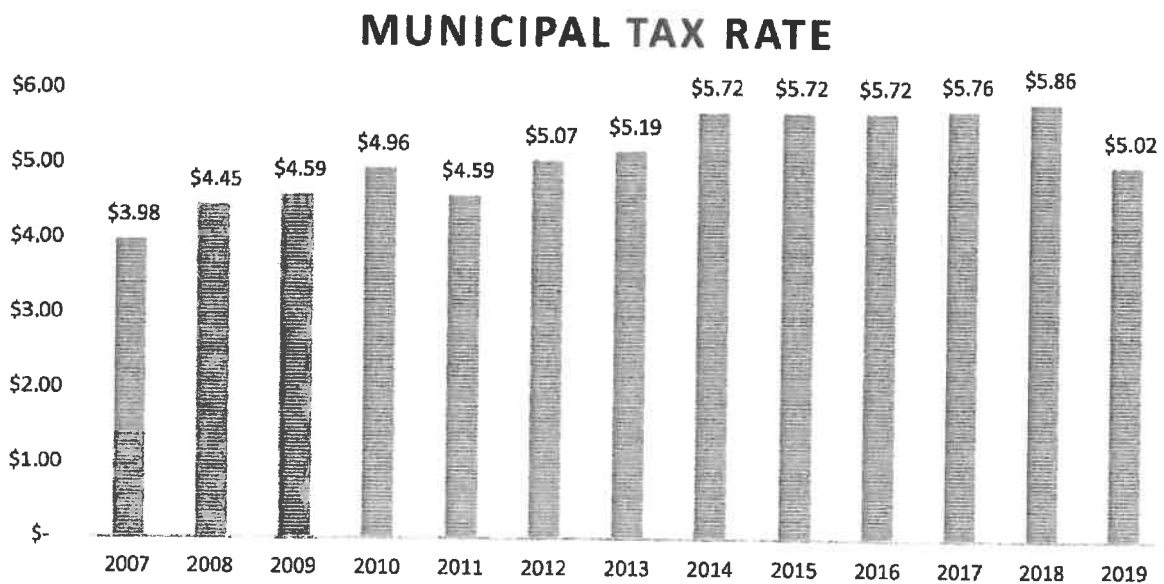
Raised and Appropriated



Non tax revenues started declining in 2007 and dropped off sharply in 2009. The sharp decline leveled off, and has now exceeded revenues by 8.9% over the level of a dozen years ago. The end result of 2019 was a 2.8% increase over 2018's non-tax revenues.



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



OPERATING BUDGET	10,010,111	10,176,162	10,480,725	11,078,998	11,467,504
WARRANT ARTICLES	1,621,000	2,019,187	1,687,420	4,287,367	1,888,001
NON PROFITS	173,307	204,281	205,885	215,636	219,055
TOTAL APPROPRIATIONS	11,804,418	12,399,630	12,374,031	15,582,001	13,574,560
AMOUNT RAISED BY TAXES	7,397,674	8,178,142	8,336,925	8,599,517	8,746,025
USE of Fund Balance	450,000	725,000	350,000	394,407	550,000
NON TAX REVENUES	3,956,744	3,868,427	4,135,831	7,076,035	4,402,987
MUNICIPAL TAX RATE	5.72	5.72	5.76	5.86	5.02
PERCENT RAISED BY TAXES	63%	66%	67%	55%	64%
VALUE FOR MUNICIPAL RATE	1,402,162,830	1,429,524,843	1,447,967,470	1,468,345,836	1,682,699,803
UNASSIGNED FUND BALANCE	2,773,705	2,542,050	2,576,444	2,522,696	2,730,664

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

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF CONWAY, NEW HAMPSHIRE
Statement of Net Position
December 31, 2019

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 5,098,659
Investments	580,344
Taxes receivables (net)	2,375,560
Account receivables (net)	30,481
Intergovernmental receivable	68,657
Tax deeded property, subject to resale	90,969
Capital assets:	
Land and construction in progress	7,805,507
Other capital assets, net of depreciation	22,487,899
Total assets	38,538,076
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	901,832
Amounts related to other postemployment benefits	38,088
Total deferred outflows of resources	939,920
LIABILITIES	
Accounts payable	169,131
Accrued salaries and benefits	270,097
Contracts payable	69,183
Intergovernmental payable	3,807
Long-term liabilities:	
Due within one year	161,441
Due in more than one year	12,817,335
Total liabilities	13,490,994
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	33,651
Unavailable revenue - grants	14,152
Amounts related to pensions	720,525
Amounts related to other postemployment benefits	6,259
Total deferred inflows of resources	774,587
NET POSITION	
Net investment in capital assets	30,293,406
Restricted	598,418
Unrestricted	(5,679,409)
Total net position	\$ 25,212,415

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, 2019

	Expenses	Program Revenues		Net (Expense) Revenue and Change In Net Position
		Charges for Services	Operating Grants and Contributions	
General government	\$ 2,779,653	\$ 28,903	\$ -	\$ (2,750,750)
Public safety	5,053,495	124,376	-	(4,929,119)
Airport operations	10,000	-	-	(10,000)
Highways and streets	3,636,815	49,863	264,149	(3,322,803)
Sanitation	1,139,202	346,979	97,614	(694,609)
Health	3,196	-	-	(3,196)
Welfare	244,791	431	-	(244,360)
Culture and recreation	1,258,696	110,299	43,561	(1,104,836)
Conservation	18,357	-	-	(18,357)
Interest on short-term debt	980	-	-	(980)
Total governmental activities	<u>\$ 14,145,185</u>	<u>\$ 660,851</u>	<u>\$ 405,324</u>	<u>(13,079,010)</u>
General revenues:				
Taxes:				
Property				8,726,723
Other				385,626
Motor vehicle permit fees				2,137,679
Licenses and other fees				351,523
Grants and contributions not restricted to specific programs				1,718,105
Unrestricted investment earnings				138,233
Miscellaneous				156,771
Total general revenues				<u>13,614,660</u>
Change in net position				535,650
Net position, beginning				<u>24,676,765</u>
Net position, ending				<u>\$ 25,212,415</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, 2019

	General	Local Public Agency Project	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 4,569,986	\$ -	\$ 528,673	\$ 5,098,659
Investments	380	-	579,964	580,344
Taxes receivable	2,495,560	-	-	2,495,560
Accounts receivable (net)	30,481	-	-	30,481
Intergovernmental receivable	-	68,657	-	68,657
Interfund receivable	53,371	8,731	21,220	83,322
Tax deeded property, subject to resale	90,969	-	-	90,969
Total assets	\$ 7,240,747	\$ 77,388	\$ 1,129,857	\$ 8,447,992
LIABILITIES				
Accounts payable	\$ 169,131	\$ -	\$ -	\$ 169,131
Accrued salaries and benefits	270,097	-	-	270,097
Contracts payable	-	69,183	-	69,183
Intergovernmental payable	3,807	-	-	3,807
Interfund payable	29,951	8,205	45,166	83,322
Total liabilities	472,986	77,388	45,166	595,540
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - Property taxes	522,446	-	-	522,446
Unavailable revenue - Grants and donations	-	-	14,152	14,152
Total deferred inflows of resources	522,446	-	14,152	536,598
FUND BALANCES				
Nonspendable	90,969	-	75,209	166,178
Restricted	-	-	523,209	523,209
Committed	3,792,477	-	472,121	4,264,598
Unassigned	2,361,869	-	-	2,361,869
Total fund balances	6,245,315	-	1,070,539	7,315,854
Total liabilities, deferred inflows of resources, and fund balances	\$ 7,240,747	\$ 77,388	\$ 1,129,857	\$ 8,447,992

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

EXHIBIT C-2
TOWN OF CONWAY, NEW HAMPSHIRE
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
December 31, 2019

Amounts reported for governmental activities in the Statement of Net Position are different because:		
Total fund balances of governmental funds (Exhibit C-1)		\$ 7,315,854
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.		
Cost	\$ 39,630,549	
Less accumulated depreciation	(9,337,143)	
		30,293,406
Pension and other postemployment benefit (OPEB) related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources related to pensions	\$ 901,832	
Deferred inflows of resources related to pensions	(720,525)	
Deferred outflows of resources related to OPEB	38,088	
Deferred inflows of resources related to OPEB	(6,259)	
		213,136
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (83,322)	
Payables	83,322	
		-
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	\$ 488,795	
Allowance for uncollectible property taxes	(120,000)	
		368,795
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Compensated absences	\$ 1,038,325	
Accrued landfill closure and postclosure care costs	2,306,820	
Net pension liability	8,688,886	
Other postemployment benefits	944,745	
		(12,978,776)
Net position of governmental activities (Exhibit A)		\$ 25,212,415

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, 2019

	General	Local Public Agency Project	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 9,067,392	\$ -	\$ 47,672	\$ 9,115,064
Licenses and permits	2,489,202	-	-	2,489,202
Intergovernmental	1,202,879	167,887	752,663	2,123,429
Charges for services	318,149	-	342,702	660,851
Miscellaneous	186,221	-	108,783	295,004
Total revenues	<u>13,263,843</u>	<u>167,887</u>	<u>1,251,820</u>	<u>14,683,550</u>
EXPENDITURES				
Current:				
General government	2,335,529	-	502,643	2,838,172
Public safety	4,744,080	-	286,685	5,030,765
Airport operations	10,000	-	-	10,000
Highways and streets	2,452,515	-	-	2,452,515
Sanitation	906,765	-	154,044	1,060,809
Health	3,196	-	-	3,196
Welfare	237,134	-	-	237,134
Culture and recreation	1,038,427	-	116,624	1,155,051
Conservation	18,357	-	-	18,357
Debt service:				
Interest	980	-	-	980
Capital outlay	1,315,775	177,529	-	1,493,304
Total expenditures	<u>13,062,758</u>	<u>177,529</u>	<u>1,059,996</u>	<u>14,300,283</u>
Excess (deficiency) of revenues over (under) expenditures	<u>201,085</u>	<u>(9,642)</u>	<u>191,824</u>	<u>383,267</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	108,780	9,642	-	118,422
Transfers out	(9,642)	-	(108,780)	(118,422)
Total other financing sources (uses)	<u>99,138</u>	<u>9,642</u>	<u>(108,780)</u>	<u>-</u>
Net change in fund balances	300,223	-	83,044	383,267
Fund balances, beginning	5,945,092	-	987,495	6,932,587
Fund balances, ending	<u>\$ 6,245,315</u>	<u>\$ -</u>	<u>\$ 1,070,539</u>	<u>\$ 7,315,854</u>

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

EXHIBIT C-4
TOWN OF CONWAY, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2019

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 383,267
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Capitalized capital outlay	\$ 1,556,480	
Depreciation expense	<u>(1,131,970)</u>	424,510
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.		(7,541)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (118,422)	
Transfers out	<u>118,422</u>	-
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Change in deferred tax revenue	\$ 51,285	
Change in allowance for uncollectible property taxes	<u>(54,000)</u>	(2,715)
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Net increase in compensated absences payable	\$ (87,305)	
Increase in accrued landfill postclosure care costs	(68,010)	
Net change in net pension liability, and deferred outflows and inflows of resources related to pensions	(187,499)	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>80,943</u>	(261,871)
Changes in net position of governmental activities (Exhibit B)		<u>\$ 535,650</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, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes	\$ 8,921,976	\$ 8,921,976	\$ 9,064,677	\$ 142,701
Licenses and permits	2,499,742	2,499,742	2,489,202	(10,540)
Intergovernmental	1,213,854	1,213,854	1,202,879	(10,975)
Charges for services	304,092	304,092	318,149	14,057
Miscellaneous	65,426	136,426	132,146	(4,280)
Total revenues	<u>13,005,090</u>	<u>13,076,090</u>	<u>13,207,053</u>	<u>130,963</u>
EXPENDITURES				
Current:				
General government	2,373,967	2,373,967	2,194,265	179,702
Public safety	4,773,597	4,773,597	4,698,696	74,901
Airport operations	10,000	10,000	10,000	-
Highways and streets	2,377,339	2,377,339	2,259,380	117,959
Sanitation	889,158	889,158	828,155	61,003
Health	3,950	3,950	3,196	754
Welfare	256,225	256,225	237,134	19,091
Culture and recreation	1,039,508	1,039,508	1,024,559	14,949
Conservation	16,815	16,815	18,357	(1,542)
Debt service:				
Interest	2,000	2,000	980	1,020
Capital outlay	-	161,000	1,000	160,000
Total expenditures	<u>11,742,559</u>	<u>11,903,559</u>	<u>11,275,722</u>	<u>627,837</u>
Excess of revenues over expenditures	<u>1,262,531</u>	<u>1,172,531</u>	<u>1,931,331</u>	<u>758,800</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	19,470	109,470	108,780	(690)
Transfers out	(1,832,001)	(1,832,001)	(1,832,001)	-
Total other financing sources (uses)	<u>(1,812,531)</u>	<u>(1,722,531)</u>	<u>(1,723,221)</u>	<u>(690)</u>
Net change in fund balances	<u>\$ (550,000)</u>	<u>\$ (550,000)</u>	208,110	<u>\$ 758,110</u>
Increase in nonspendable fund balance			(142)	
Unassigned fund balance, beginning			<u>2,522,696</u>	
Unassigned fund balance, ending			<u>\$ 2,730,664</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, 2019

	Private Purpose Trust Funds	All Custodial Funds
ASSETS		
Cash and cash equivalents	\$ 175,923	\$ 16,287,548
Investments	-	246,967
Total assets	<u>175,923</u>	<u>16,534,515</u>
LIABILITIES		
Intergovernmental payables:		
School	-	9,273,019
NET POSITION		
Restricted	<u>\$ 175,923</u>	<u>\$ 7,261,496</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, 2019

	Private Purpose Trust Funds	All Custodial Funds
ADDITIONS		
Contributions	\$ 11,918	\$1,971,023
Investment earnings	2,907	94,837
Tax collections for other governments	-	24,240,196
Total additions	<u>14,825</u>	<u>26,306,056</u>
DEDUCTIONS		
Scholarships	8,500	-
Administrative expenses	-	556,525
Payments of taxes to other governments	-	24,240,196
Payments for escrow purposes	-	495,807
Total deductions	<u>8,500</u>	<u>25,292,528</u>
Change in net position	6,325	1,013,528
Net position, beginning, as restated (see Note 17)	169,598	6,247,968
Net position, ending	<u>\$ 175,923</u>	<u>\$7,261,496</u>

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

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

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TOWN OF CONWAY, NEW HAMPSHIRE
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TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Conway, New Hampshire (the Town), have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

In 2019 the Town implemented GASB Statement No. 84, *Fiduciary Activities*, which changed the way fiduciary activities are recorded. See Note 2-C for further information on this pronouncement.

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

1-A Reporting Entity

The Town of Conway is a municipal corporation governed by an elected 5-member Board of Selectmen and Town Manager. In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The Town has no component units to include in its reporting entity.

1-B Basis of Accounting, and Measurement Focus

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

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of reimbursement-based grants, which use a period of one year. Property taxes, licenses and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

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

The Town reports the following major governmental funds:

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

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

Additionally, the Town reports the following fund types:

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

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

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

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

The Town reports the following fiduciary funds:

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

Custodial Fund – are custodial in nature and do not belong to the primary government. A custodial fund is used to account for assets held on behalf of outside parties, including other governments.

1-C Cash and Cash Equivalents

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

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383:22. Funds may be deposited in banks outside of the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations to the State of New Hampshire in value at least equal to the amount of the deposit in each case.

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

1-D Investments

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

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

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

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

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

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

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

Level 3 – Inputs are significant unobservable inputs.

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

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

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

1-E Receivables

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

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

1-F Capital Assets

Capital assets include property, plant, and equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible assets (i.e., easements) which are reported in the government-wide financial statements. The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund's measurement focus. General capital assets are assets of the Town as a whole. When purchased, such assets are recorded as expenditures in a governmental fund and capitalized as assets in the government-wide Statement of Net Position.

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

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

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

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

1-G Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

Interfund Transfers – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

1-H Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year in accordance with RSA 76:15-a, *Semi-Annual Collection of Taxes in certain Towns and Cities*. Warrants for the year were issued on May 14, 2019, November 6, 2019, and November 12, 2019, and due on July 1, 2019 and December 16, 2019. Interest accrues at a rate of 12% (from January 1, 2019 through March 31, 2019) and 8% (after April 1, 2019) on bills outstanding after the due date and 18% (from January 1, 2019 through March 31, 2019) and 14% (after April 1, 2019) on tax liens outstanding. The Town placed a lien on all outstanding taxes from 2018 on May 2, 2019.

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

The Town net assessed valuation as of April 1, 2019 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 1,682,699.803
For all other taxes	\$ 1,742,760.903

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

The tax rates and amounts assessed for the year ended December 31, 2019 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$5.02	\$ 8,746,025
School portion:		
State of New Hampshire	\$1.98	3,335,752
Local	\$9.17	15,987,267
County portion	\$1.15	1,996,654
Total municipal portion		<u>30,065,698</u>
Precinct portions:		
Center Conway Fire	\$1.06	285,127
Conway Village Fire	\$1.92	460,641
East Conway Fire	\$1.60	57,857
Fire Assessment	\$0.98	384,495
Kearsarge Lighting	\$0.64	72,346
North Conway Water	\$2.21	1,582,294
Redstone Fire	\$0.87	77,763
Total precinct portion		<u>2,920,523</u>
Total		<u>\$32,986,221</u>

1-I Accounts Payable

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of December 31, 2019.

1-J Deferred Outflows/Inflows of Resources

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

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

1-K Long-term Obligations

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

1-L Compensated Absences

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

1-M Defined Benefit Pension Plan

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* and GASB Statement No. 82 *Pension Issues – an amendment of GASB Statement No. 67, No. 68 and No. 73* requires participating

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employers to recognize their proportionate share of collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, and schedules have been prepared to provide employers with their calculated proportionate share of these amounts. The collective amounts have been allocated based on employer contributions during the respective fiscal years. Contributions from employers are recognized when legally due, based on statutory requirements.

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

1-N Postemployment Benefits Other Than Pensions

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

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

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

1-O Net Position/Fund Balances

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

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

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

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

Fund Balance Classifications – GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides more clearly defined fund balance categories to make sure the nature and extent of the constraints placed on a government's fund balances are more transparent. The following classifications describe the relative strength of the spending constraints:

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

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

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

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

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

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

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

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

1-P Use of Estimates

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

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

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

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

State statutes require balanced budgets but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2019, \$550,000 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

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

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

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$13,315,833
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
To record revenue of the blended funds	54,075
Change in deferred tax revenue relating to 60-day revenue recognition recognized as revenue on the GAAP basis, but not on the budgetary basis	(51,285)
Change in allowance for uncollectible property taxes	54,000
Per Exhibit C-3 (GAAP basis)	<u>\$13,372,623</u>
Expenditures and other financing uses:	
Per Exhibit (budgetary basis)	\$13,107,723
Adjustment:	
Basis differences:	
Encumbrances, beginning	863,870
Encumbrances, ending	-
GASB Statement No. 54:	
To record expenditures of the blended funds during the year	923,166
To eliminate and recognize transfers between the general fund and blended funds	(1,822,359)
Per Exhibit C-3 (GAAP basis)	<u>\$13,072,400</u>

2-C Accounting Change

Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, was implemented during fiscal year 2019. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust of equivalent arrangement that meet specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or other condition is required to be taken or met by the beneficiary to release the assets. Beginning net position for the fiduciary funds was restated to retroactively report the change in accounting principle, see Note 17.

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The Town's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held by the Town's agent in the Town's name. The FDIC currently insures the first \$250,000 of the Town's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by the collateral. As of year-end, the carrying amount of the Town's deposits was \$21,562,130 and the bank balances totaled \$21,475,856. Petty cash totaled \$842.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 5,098,659
Cash per Statement of Net Position - Fiduciary Fund (Exhibit E-1)	16,463,471
Total cash and cash equivalents	<u>\$21,562,130</u>

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NOTE 4 – INVESTMENTS

Note 1-D describes statutory requirements covering the investment of the Town funds. The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements and maturities as of December 31, 2019:

	Valuation Measurement Method	Reported Balance	Exempt from Disclosure
Investments type:			
Equity exchange traded funds	Level 1	\$ 168,145	\$ 168,145
Fixed income mutual funds	Level 2	90,714	90,714
NH Public Deposit Investment Poo	Level 2	568,452	568,452
Total fair value		<u>\$ 827,311</u>	<u>\$ 827,311</u>

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. In the case of general or operating funds, maturities shall not exceed one year from date of purchase. In all other cases, maturities will be varied to ensure sufficient liquidity to meet demands of the Town or other entities without incurring penalties and to minimize market risk.

Credit Risk - The Town's formal investment policies do not directly address managing credit risk; however, state law limits investments as explained in Note 1-D. As of December 31, 2019, the Town's investment instruments had the following ratings:

Investment Type	Reported Balance	Exempt from Disclosure
Equity exchange traded funds	\$ 168,145	\$ 168,145
Fixed income mutual funds	90,714	90,714
New Hampshire Public Deposit Investment Pool	568,452	568,452
	<u>\$ 827,311</u>	<u>\$ 827,311</u>

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

Concentration of Credit Risk – The Town places no limit on the amount it may invest in any one issuer. No individual investment in any one issuer exceeds the Town's total investment balance at December 31, 2019.

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 580,344
Investments per Statement of Net Position - Fiduciary Funds (Exhibit E-1)	246,967
Total investments	<u>\$ 827,311</u>

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NOTE 5 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2019. The amount has been reduced by an allowance for an estimated uncollectible amount of \$120,000. Taxes receivable by year are as follows:

	As reported on:	
	Exhibit A	Exhibit C-1
Property:		
Levy of 2019	\$1,858,015	\$1,858,015
Unredeemed (under tax lien):		
Levy of 2018	340,597	340,597
Levy of 2017	230,086	230,086
Levies of 2016 and prior	60,733	60,733
Land use change	6,129	6,129
Less: allowance for estimated uncollectible taxes	(120,000) *	-
Net taxes receivable	<u>\$2,375,560</u>	<u>\$2,495,560</u>

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

NOTE 6 – OTHER RECEIVABLES

Receivables at December 31, 2019, consisted of accounts (billings for police details and other user charges) and intergovernmental amounts arising from grants. Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

Receivables as of December 31, 2019 for the Town's individual major funds including applicable allowances for uncollectible accounts are as follows:

	General Fund	Nonmajor Funds	Total
Receivables:			
Accounts	\$ 30,583	\$ -	\$ 30,583
Gross receivables	30,583	-	30,583
Less: allowance for uncollectibles	(102)	-	(102)
Net total receivables	<u>\$ 30,481</u>	<u>\$ -</u>	<u>\$ 30,481</u>

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 is as follows:

	Balance, beginning	Additions	Deletions	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 7,524,933	\$ -	\$ -	\$ 7,524,933
Construction in progress	-	280,574	-	280,574
Total capital assets not being depreciated	<u>7,524,933</u>	<u>280,574</u>	<u>-</u>	<u>7,805,507</u>
Being depreciated:				
Buildings and building improvements	6,319,426	852,010	-	7,171,436
Machinery, equipment, and vehicles	5,502,328	423,896	(40,275)	5,885,949
Infrastructure	18,767,657	-	-	18,767,657
Total capital assets being depreciated	<u>30,589,411</u>	<u>1,275,906</u>	<u>(40,275)</u>	<u>31,825,042</u>
Total all capital assets	<u>38,114,344</u>	<u>1,556,480</u>	<u>(40,275)</u>	<u>39,630,549</u>

(Continued)

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Capital assets continued:

	Balance, beginning	Additions	Deletions	Balance, ending
Less accumulated depreciation:				
Buildings and building improvements	(1,855,476)	(157,237)	-	(2,012,713)
Machinery, equipment, and vehicles	(1,974,669)	(418,193)	32,734	(2,360,128)
Infrastructure	(4,407,762)	(556,540)	-	(4,964,302)
Total accumulated depreciation	(8,237,907)	(1,131,970)	32,734	(9,337,143)
Net book value, capital assets being depreciated	22,351,504	143,936	(7,541)	22,487,899
Net book value, all governmental activities capital assets	<u>\$29,876,437</u>	<u>\$ 424,510</u>	<u>\$ (7,541)</u>	<u>\$30,293,406</u>

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

General government	\$ 26,609
Public safety	110,030
Highways and streets	783,292
Sanitation	120,316
Culture and recreation	91,723
Total depreciation expense	<u>\$ 1,131,970</u>

NOTE 8 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of December 31, 2019 is as follows:

Receivable Fund	Payable Fund	Amount
General	Local Public Agency Project Fund	\$ 8,205
	Nonmajor	45,166
Local Agency Project	General	8,731
Nonmajor	General	21,220
		<u>\$ 83,322</u>

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

Interfund Transfers - The composition of interfund transfers for the year ended December 31, 2019 is as follows:

	Transfers In:		
	General Fund	Local	
		Public Agency Project Fund	Total
Transfers out:			
General fund	\$ -	\$ 9,642	\$ 9,642
Nonmajor funds	108,780	-	108,780
Total	<u>\$ 108,780</u>	<u>\$ 9,642</u>	<u>\$ 118,422</u>

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

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NOTE 9 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of \$9,276,826 at December 31, 2019 consist of the following:

	General Fund	Fiduciary Funds
Miscellaneous fees due to the State of New Hampshire	\$ 3,807	\$ -
Taxes due to the Kennett Regional School District	-	9,273,019
Total intergovernmental payables due	<u>\$ 3,807</u>	<u>\$9,273,019</u>

NOTE 10 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources are as follows:

	Government- wide
Amounts related to pensions, see Note 13	\$ 901,832
Amounts related to OPEB, see Note 14	38,088
	<u>\$ 939,920</u>

Deferred inflows of resources are as follows:

	Government- wide	General Fund	Nonmajor Governmental Funds
Property taxes not collected within 60 days of the fiscal year-end	\$ -	\$488,795 *	\$ -
Property taxes collected in advance of commitment	33,651	33,651	-
Grants and donations in advance of eligible expenditures being made	14,152	-	14,152
Amounts related to pensions, see Note 13	720,525	-	-
Amounts related to OPEB, see Note 14	6,259	-	-
Total deferred inflows of resources	<u>\$ 774,587</u>	<u>\$522,446</u>	<u>\$ 14,152</u>

* Not recognized on the full accrual basis of accounting.

NOTE 11 – SHORT-TERM DEBT

Changes in the Town's short-term borrowings during the year ended December 31, 2019 consisted of the following:

Governmental Activities	Original Issue	Interest Rate	Balance January 1, 2019	Additions	Deletions	Balance December 31, 2019
Tax anticipation note 1	<u>\$ 1,500,000</u>	2.24%	<u>\$ -</u>	<u>\$ 750,000</u>	<u>\$(750,000)</u>	<u>\$ -</u>

The purpose of the short-time borrowings was to provide for interim financing of general fund operations. The Town paid \$980 in interest on the note in 2019.

NOTE 12 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended December 31, 2019:

	Balance January 1, 2019	Additions	Reductions	Balance December 31, 2019	Due Within One Year
Compensated absences	\$ 951,020	\$ 89,880	\$ (2,575)	\$ 1,038,325	\$ 161,441
Accrued landfill closure and postclosure ca	2,238,810	68,010	-	2,306,820	-
Net pension liability	9,098,932	-	(410,046)	8,688,886	-
Net other postemployment benefits	1,095,820	-	(151,075)	944,745	-
Total long-term liabilities	<u>\$ 13,384,582</u>	<u>\$ 157,890</u>	<u>\$(563,696)</u>	<u>\$ 12,978,776</u>	<u>\$ 161,441</u>

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Accrued Landfill Closure and Postclosure Care Costs – Federal and State laws and regulations require that the Town place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site after closure. A liability is being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used through the end of the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$2,306,820 as of December 31, 2019, which is based on 42% usage (filled) of the landfill. It is estimated that an additional \$2,171,000 will be recognized as closure and postclosure care costs between the date of the Balance Sheet and the date the landfill is expected to be filled to capacity (2068). The estimated total current cost of the landfill closure and postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2019. 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 \$1,877,669.

NOTE 13 – DEFINED BENEFIT PENSION PLAN

Plan Description – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers a cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* – an amendment of GASB Statement No. 25. The Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time State employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State are eligible and required to participate in the Pension Plan. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

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

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

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

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

Contributions – The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. Group I (employee and teacher) members are required to contribute 7% of earnable compensation and Group II (police and fire) members contribute 11.55% and 11.80% respectively. For fiscal year 2019, the Town contributed

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25.33% for police, 27.79% for fire and 11.08% for other employees through June 30, 2019. From July 1, 2019 through December 31, 2019 the Town contributed 24.77% for police, 26.43% for fire and 10.88% for other employees. The contribution requirement for the fiscal year 2019 was \$802,560, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At December 31, 2019 the Town reported a liability of \$8,688,886 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2019, the Town’s proportion was .18058001% which was an decrease of .0083826% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Town recognized pension expense of \$988,065. At December 31, 2019 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 140,352	\$ 462,713
Changes in assumptions	311,754	-
Net difference between projected and actual investment earnings on pension plan investments	-	70,976
Differences between expected and actual experience	48,042	186,836
Contributions subsequent to the measurement date	401,684	-
Total	\$ 901,832	\$ 720,525

The \$401,684 reported as deferred outflows of resources related to pensions results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending December 31,	
2020	\$ 206,181
2021	(242,266)
2022	(139,536)
2023	(44,756)
2024	-
Thereafter	-
Totals	\$ (220,377)

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

Inflation:	2.5%	
Salary increases:	5.6% average, including inflation	
Wage inflation	3.25% (3.00% for teachers)	
Investment rate of return:	7.25% net of pension plan investment expense, including inflation	

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

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

Asset Class	Target Allocation	Weighted average long-term expected real rate of return 2018
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	4.50%
Emerging Int'l Equities	7.00%	6.00%
Total international equity	20.00%	
Core Bonds	4.50%	0.50%
Short Duration	2.50%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	1.80%
Absolute Return Fixed Income	7.00%	1.14%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.25%
Opportunistic	5.00%	2.15%
Total alternative investments	15.00%	
Real estate	10.00%	3.25%
Total	100.00%	

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

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

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2019	\$ 11,634,777	\$ 8,688,886	\$ 6,254,131

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

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NOTE 14 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

14-A New Hampshire Retirement System (NHRS)

Plan Description – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system which administers a cost-sharing multiple-employer other postemployment benefit (OPEB) plan. For additional system information, please refer to the 2019 Comprehensive Annual Financial Report, which can be found on the system’s website at www.nhrs.org.

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

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

Maximum medical subsidy rates paid during fiscal year 2019 were as follows:

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

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

Contributions – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year 2018, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For fiscal year 2019, the Town contributed 4.10% for police and fire, and 0.30% for other employees through June 30, 2019. From July 1, 2019 through December 31, 2019 the Town contributed 3.66% for police and fire, and 0.29% for other employees. The contribution requirement for the fiscal year 2019 was \$78,641, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At December 31, 2019, the Town reported a liability of \$769,718 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Town’s proportion of the net OPEB liability was based on a projection of the Town’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2019, the Town’s proportion was .17556992% which was a decrease of .00833134% from its proportion measured as of June 30, 2018.

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For the year ended December 31, 2019, the Town recognized OPEB expense of \$76,213. At December 31, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ -	\$ 4,055
Net difference between projected and actual investment earnings on OPEB plan investments	-	865
Differences between expected and actual experience	-	1,339
Contributions subsequent to the measurement date	<u>38,088</u>	-
Total	<u>\$ 38,088</u>	<u>\$ 6,259</u>

The \$38,088 reported as deferred outflows of resources related to OPEB results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending December 31,	
2020	\$ (5,968)
2021	(574)
2022	60
2023	223
2024	-
Thereafter	-
Totals	<u>\$ (6,259)</u>

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

Inflation:	2.5 %
Wage inflation:	3.25 % (3.00%) for teachers
Salary increases:	5.6 % average, including inflation
Investment rate of return:	7.25 % net of OPEB plan investment expense, including inflation for determining solvency contributions

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

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

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

Asset Class	Target Allocation	Weighted average long-term expected real rate of return 2018
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	4.50%
Emerging Int'l Equities	7.00%	6.00%
Total international equity	20.00%	
Core Bonds	4.50%	0.50%
Short Duration	2.50%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	1.80%
Absolute Return Fixed Income	7.00%	1.14%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.25%
Opportunistic	5.00%	2.15%
Total alternative investments	15.00%	
Real estate	10.00%	3.25%
Total	100.00%	

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2019 was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statutes RSA 100-A:16 and 100-A:53. Based on those assumptions, the OPEB Plan’s fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

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

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2019	\$ 834,876	\$ 769,718	\$ 713,100

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

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

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14-B Town of Conway Retiree Health Benefit Program

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

Benefits Provided – The Town provides postemployment healthcare benefits for certain eligible retirees. The Town provides medical benefits to its eligible retirees.

Employees Covered by Benefit Terms – At December 31, 2019 the following employees were covered by the benefit terms:

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

Total OPEB Liability – The Town’s total OPEB liability of \$175,027 was measured as of December 31, 2019, and was determined by an actuarial valuation of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability of \$175,027 in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate:	4.31%
Healthcare Cost Trend Rates:	
Current Year Trend	4.60%
Second Year Trend	4.70%
Decrement	0.10%
Ultimate Trend	4.70%
Year Ultimate Trend is Reached	2029
Salary Increases:	2.00%

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

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

Changes in the Total OPEB Liability

	December 31,	
	2018	2019
OPEB liability beginning of year	\$ 276,244	\$ 253,836
Changes for the year:		
Service cost	498	498
Interest	10,461	9,181
Assumption changes	2,964	-
Difference between actual and expected experience	(36,331)	(88,488)
OPEB liability end of year	<u>\$ 253,836</u>	<u>\$ 175,027</u>

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Sensitivity of the Town's OPEB Liability to Changes in the Discount Rate – The December 31, 2019 actuarial valuation was prepared using a discount rate of 4.31%. If the discount rate were 1% higher than what was used the OPEB liability would decrease to \$167,204 or by (4.5%). If the discount rate were 1% lower than what was used the OPEB liability would increase to \$183,979 or by 5.1%.

	Discount Rate		
	1% Decrease	Baseline 4.31%	1% Increase
Total OPEB Liability	\$ 183,979	\$ 175,027	\$ 167,204

Sensitivity of the Town's OPEB Liability to Changes in the Healthcare Cost Trend Rates – The December 31, 2019 actuarial valuation was prepared using an initial trend rate of 4.60%. If the trend rate were 1% higher than what was used the OPEB liability would increase to \$191,124 or by 9.2%. If the trend rate were 1% lower than what was used the OPEB liability would decrease to \$160,938 or by (8.0%).

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 4.60%	1% Increase
Total OPEB Liability	\$ 160,938	\$ 175,027	\$ 191,124

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – For the year ended December 31, 2019, the Town recognized an OPEB benefit of \$78,809.

NOTE 15 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the Statement of Net Position at December 31, 2019 include the following:

	Governmental Activities	Fiduciary Funds
Net investment in capital assets:		
Net book value, all governmental activities capital assets	\$ 30,293,406	\$ -
Restricted net position:		
Public library	359,217	-
Hubbard and Davis Public Forest Reserve	14,962	-
Grants	6,012	-
Drug Forfeiture	8,380	-
Nonexpendable permanent funds	75,209	-
Expendable permanent funds	134,638	-
School District Trust Funds	-	5,957,052
Escrows	-	1,304,444
Total restricted net position	598,418	7,261,496
Unrestricted	(5,679,409)	-
Total net position	\$ 25,212,415	\$ 7,261,496

NOTE 16 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2019 include the following:

	General Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:			
Tax deceded property subject to resale	\$ 90,969	\$ -	\$ 90,969
Permanent fund - principal balance	-	75,209	75,209
Total nonspendable fund balance	90,969	75,209	166,178

(Continued)

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Governmental fund balances continued:

	General Fund	Nonmajor Funds	Total Governmental Funds
Restricted:			
Public library	-	359,217	359,217
Hubbard and Davis Public Forest Reserve	-	14,962	14,962
Grants	-	6,012	6,012
Drug forfeiture	-	8,380	8,380
Permanent fund - income balance	-	134,638	134,638
Total restricted fund balance	<u>-</u>	<u>523,209</u>	<u>523,209</u>
Committed:			
Expendable trust	3,792,477	-	3,792,477
Conservation commission	-	327,363	327,363
Police commercial detail	-	49,984	49,984
Recycling special waste	-	49,409	49,409
Recreation	-	45,365	45,365
Total committed fund balance	<u>3,792,477</u>	<u>472,121</u>	<u>4,264,598</u>
Unassigned	<u>2,361,869</u>	<u>-</u>	<u>2,361,869</u>
Total governmental fund balances	<u>\$ 6,245,315</u>	<u>\$ 1,070,539</u>	<u>\$ 7,315,854</u>

NOTE 17 – PRIOR PERIOD ADJUSTMENT

Net position at January 1, 2019 was restated to give retroactive effect to the following prior period adjustment:

	Fiduciary Funds
To restate for the cumulative changes related to implementation of GASB Statement No. 84	\$ 6,247,968
Net position, as previously reported	-
Net position, as restated	<u>\$ 6,247,968</u>

NOTE 18 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2019, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs.

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, 2019 to December 31, 2019 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 workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. In 2019 the Town paid \$120,274 and \$116,498 respectively, to Primex for property, liability and worker's compensation. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

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

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 19 – CONTINGENT LIABILITIES

There are various legal claims and suits pending against the Town which arose in the normal course of the government's activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect on the financial position of the Town.

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

NOTE 20 – TAX ABATEMENTS

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

NOTE 21 – 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 26, 2020, the date the December 31, 2019 financial statements were available to be issued, and the following events occurred that require recognition or disclosure.

On March 11, 2020, the World Health Organization declared, the outbreak of a coronavirus (COVID-19), a pandemic. In response to the pandemic, the State of New Hampshire's Governor issued an order declaring a state of emergency on March 13, 2020. It is anticipated that the impact of the pandemic will continue for some time. As a result, economic uncertainties have arisen which could have a financial impact on the Town though such potential impact is unknown at this time.

At the 2020 Annual Town Meeting, held on May 12, 2020, the residents of the Town approved two warrant articles appropriating the use of December 31, 2019 surplus (fund balance) to fund Main Street Projects (\$750,000), as well as a transfer to the Maintenance of Buildings capital reserve funds (\$160,000).

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT F
TOWN OF CONWAY, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of Net Pension Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2019

	December 31,						
	2013	2014	2015	2016	2017	2018	2019
Town's proportion of the net pension liability	0.18902336%	0.19109216%	0.18348652%	0.18859997%	0.19406030%	0.18896261%	0.18058001%
Town's proportionate share of the net pension liability	\$ 8,135,158	\$ 7,172,808	\$ 7,268,868	\$ 10,028,983	\$ 9,543,872	\$ 9,098,932	\$ 8,688,886
Town's covered payroll	\$ 4,052,959	\$ 4,104,417	\$ 4,196,038	\$ 4,542,885	\$ 4,877,667	\$ 4,939,121	\$ 4,872,510
Town's proportionate share of the net pension liability as a percentage of its covered payroll	200.72%	174.76%	173.23%	220.76%	195.66%	184.22%	178.32%
Plan fiduciary net position as a percentage of the total pension liability	59.81%	66.32%	65.47%	58.30%	62.66%	64.73%	65.59%

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

EXHIBIT G
TOWN OF CONWAY, NEW HAMPSHIRE
Schedule of Town Contributions - Pensions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2019

	December 31,						
	2013	2014	2015	2016	2017	2018	2019
Contractually required contribution	\$ 470,013	\$ 619,947	\$ 615,576	\$ 675,337	\$ 710,927	\$ 798,665	\$ 785,851
Contributions in relation to the contractually required contributions	470,013	619,947	615,576	675,337	710,927	798,665	785,851
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 4,052,959	\$ 4,104,417	\$ 4,196,038	\$ 4,542,885	\$ 4,877,667	\$ 4,939,121	\$ 4,872,510
Contributions as a percentage of covered payroll	11.60%	15.10%	14.67%	14.87%	14.58%	16.17%	16.13%

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

TOWN OF CONWAY, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

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

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits F and G represent the actuarial determined costs associated with the Town's pension plan at December 31, 2019. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2019:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	21 years beginning July 1, 2018 (30 years beginning July 1, 2009)
Asset Valuation Method	5-year smooth market for funding purposes
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	3.13% per year
Investment Rate of Return	7.25% per year, net of investment expenses, including inflation
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

Other Information:

Notes Contribution rates for fiscal year 2019 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.

EXHIBIT H
TOWN OF CONWAY, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefit Plan Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2019

	December 31,			
	2016	2017	2018	2019
Town's proportion of the net OPEB liability	0.11888939%	0.12242095%	0.18390126%	0.17556992%
Town's proportionate share of the net OPEB liability (asset)	\$ 575,550	\$ 559,750	\$ 841,984	\$ 769,718
Town's covered payroll	\$ 4,542,885	\$ 4,877,667	\$ 4,939,121	\$ 4,872,510
Town's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	12.67%	11.48%	17.05%	15.80%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%	7.75%

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

EXHIBIT I
TOWN OF CONWAY, NEW HAMPSHIRE
Schedule of Town Contributions - Other Postemployment Benefits
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2019

	December 31,			
	2016	2017	2018	2019
Contractually required contribution	\$ 69,082	\$ 72,559	\$ 81,345	\$ 80,123
Contributions in relation to the contractually required contribution	69,082	72,559	81,345	80,123
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	<u>\$ 4,542,885</u>	<u>\$ 4,877,667</u>	<u>\$ 4,939,121</u>	<u>\$ 4,872,510</u>
Contributions as a percentage of covered payroll	1.52%	1.49%	1.65%	1.64%

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

EXHIBIT J
TOWN OF CONWAY, NEW HAMPSHIRE
Schedule of Changes in the Town's Total Other Postemployment Benefits Liability and Related Ratios
Retiree Health Benefit Program
For the Fiscal Year Ended December 31, 2019

	December 31,	
	2018	2019
OPEB liability, beginning of year	\$ 276,244	\$ 253,836
Changes for the year:		
Service cost	498	498
Interest	10,461	9,181
Assumption changes and difference between actual and expected experience	(33,367)	(88,488)
OPEB liability, end of year	<u>\$ 253,836</u>	<u>\$ 175,027</u>
Covered payroll	<u>\$ 4,902,196</u>	<u>\$ 5,373,559</u>
Total OPEB liability as a percentage of covered payroll	5.18%	3.26%

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

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFIT LIABILITY
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

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

As required by GASB Statement No. 75, Exhibits H and I represent the actuarial determined costs associated with the Town's other postemployment benefits at December 31, 2019. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

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

Methods and Assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	Not applicable under statutory funding
Asset Valuation Method	5-year smooth market: 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	3.13% per year
Investment Rate of Return	7.25% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

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

As required by GASB Statement No. 75, Exhibit J represents the actuarial determined costs associated with the Town's other postemployment benefits at December 31, 2019. The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
TOWN OF CONWAY, NEW HAMPSHIRE
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2019

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 8,591,849	\$ 8,726,723	\$ 134,874
Land use change	26,452	47,672	21,220
Yield	30,530	37,072	6,542
Excavation	172	172	-
Payment in lieu of taxes	20,473	30,090	9,617
Interest and penalties on taxes	252,500	222,948	(29,552)
Total from taxes	<u>8,921,976</u>	<u>9,064,677</u>	<u>142,701</u>
Licenses, permits, and fees:			
Business licenses, permits, and fees	21,370	22,250	880
Motor vehicle permit fees	2,173,172	2,137,679	(35,493)
Building permits	131,000	145,532	14,532
Other	174,200	183,741	9,541
Total from licenses, permits, and fees	<u>2,499,742</u>	<u>2,489,202</u>	<u>(10,540)</u>
Intergovernmental:			
State:			
Shared revenue	188,205	188,205	-
Meals and rooms distribution	517,893	517,893	-
Highway block grant	262,542	262,147	(395)
Other	21,075	8,434	(12,641)
Other governments	224,139	226,200	2,061
Total from intergovernmental	<u>1,213,854</u>	<u>1,202,879</u>	<u>(10,975)</u>
Charges for services:			
Income from departments	304,092	318,149	14,057
Miscellaneous:			
Sale of municipal property	21,925	22,022	97
Interest on investments	10,000	9,496	(504)
Other	104,501	100,628	(3,873)
Total from miscellaneous	<u>136,426</u>	<u>132,146</u>	<u>(4,280)</u>
Other financing sources:			
Transfers in	109,470	108,780	(690)
Total revenues and other financing sources	<u>13,185,560</u>	<u>\$ 13,315,833</u>	<u>\$ 130,273</u>
Unassigned fund balance used to reduce tax rate	550,000		
Total revenues, other financing sources, and use of fund balance	<u>\$ 13,735,560</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, 2019

	Encumbered from Prior Year	Appropriations	Expenditures	Variance Positive (Negative)
Current:				
General government:				
Executive	\$ -	\$ 259,524	\$ 221,269	\$ 38,255
Election and registration	-	126,112	124,443	1,669
Financial administration	-	312,719	308,864	3,855
Revaluation of property	-	160,560	151,108	9,452
Legal	-	90,000	48,650	41,350
Personnel administration	-	1,041,789	979,536	62,253
Planning and zoning	-	212,249	208,796	3,453
General government buildings	-	134,949	115,535	19,414
Insurance, not otherwise allocated	-	36,065	36,064	1
Total general government	-	2,373,967	2,194,265	179,702
Public safety:				
Police	-	4,053,262	3,982,881	70,381
Ambulance	-	240,122	240,122	-
Fire	-	382,574	381,073	1,501
Building inspection	-	89,006	89,320	(314)
Emergency management	-	8,633	5,300	3,333
Total public safety	-	4,773,597	4,698,696	74,901
Airport operations	-	10,000	10,000	-
Highways and streets:				
Administration	-	73,394	73,391	3
Highways and streets	-	2,255,170	2,145,748	109,422
Street lighting	-	48,775	40,241	8,534
Total highways and streets	-	2,377,339	2,259,380	117,959
Sanitation:				
Administration	-	73,572	73,391	181
Solid waste disposal	12,860	815,586	767,624	60,822
Total sanitation	12,860	889,158	841,015	61,003
Health:				
Administration	-	2,750	2,750	-
Health agencies	-	1,200	446	754
Total health	-	3,950	3,196	754
Welfare:				
Administration and direct assistance	-	112,170	93,079	19,091
Vendor payments and other	-	144,055	144,055	-
Total welfare	-	256,225	237,134	19,091
Culture and recreation:				
Parks and recreation	-	421,060	417,538	3,522
Library	-	528,798	515,693	13,105
Patriotic purposes	-	24,650	26,328	(1,678)
Other	-	65,000	65,000	-
Total culture and recreation	-	1,039,508	1,024,559	14,949
Conservation	-	16,815	18,357	(1,542)
Debt service:				
Interest on tax anticipation notes	-	2,000	980	1,020

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, 2019

	Encumbered from Prior Year	Appropriations	Expenditures	Variance Positive (Negative)
Capital outlay	851,010	161,000	852,010	160,000
Other financing uses:				
Transfers out	-	1,832,001	1,832,001	-
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 863,870</u>	<u>\$ 13,735,560</u>	<u>\$ 13,971,593</u>	<u>\$ 627,837</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, 2019

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)		\$ 2,522,696
Changes:		
Unassigned fund balance used to reduce 2019 tax rate		(550,000)
2019 Budget summary:		
Revenue shortfall (Schedule 1)	\$130,273	
Unexpended balance of appropriations (Schedule 2)	<u>627,837</u>	
2019 Budget surplus		758,110
Increase in nonspendable fund balance		<u>(142)</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		2,730,664
<i>Reconciliation on Non-GAAP Budgetary Basis to GAAP Basis</i>		
To record deferred property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis		(488,795)
Elimination of the allowance for uncollectible taxes		<u>120,000</u>
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		<u><u>\$ 2,361,869</u></u>

SCHEDULE 4
TOWN OF CONWAY, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2019

	Special Revenue Funds										Total
	Hubbard and Davis Public Forest Reserve	Public Library	Conservation Commission	Grants	Police Commercial Detail	Recycling Special Waste	Recreation	Drug Forfeiture	Permanent Fund		
ASSETS											
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 20,236	\$ 49,984	\$ 86,709	\$ 52,369	\$ 9,170	\$ 209,847	\$ -	\$ 528,673
Investments	14,962		306,143	-	-	-	-	-	-	-	579,964
Interfund receivable	-	-	21,220	-	-	-	-	-	-	-	21,220
Total assets	\$ 14,962	\$ 359,217	\$ 327,363	\$ 20,236	\$ 49,984	\$ 86,709	\$ 52,369	\$ 9,170	\$ 209,847	\$ -	\$ 1,129,857
LIABILITIES											
Interfund payable	\$ -	\$ -	\$ -	\$ 72	\$ -	\$ 37,300	\$ 7,004	\$ 790	\$ -	\$ -	\$ 45,166
DEFERRED INFLOWS OF RESOURCES											
Unavailable revenue - grants and donations	-	-	-	14,152	-	-	-	-	-	-	14,152
FUND BALANCES											
Nonspendable	-	-	-	-	-	-	-	-	75,209	-	75,209
Restricted	14,962	359,217	-	6,012	-	-	-	8,380	134,638	-	523,209
Committed	-	-	327,363	-	49,984	49,409	45,365	-	-	-	472,121
Total fund balances	14,962	359,217	327,363	6,012	49,984	49,409	45,365	8,380	209,847	-	1,070,539
Total liabilities, deferred inflows of resources, and fund balances	\$ 14,962	\$ 359,217	\$ 327,363	\$ 20,236	\$ 49,984	\$ 86,709	\$ 52,369	\$ 9,170	\$ 209,847	\$ -	\$ 1,129,857

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, 2019

	Special Revenue Funds										T Total
	Hubbard and Davis Public	Public Library	Forest Reserve	Conservation Commission	Grants	Police Commercial Detail	Recycling Special Waste	Recreation	Drug Forfeiture	Permanent Fund	
REVENUES											
Taxes	\$ -	\$ -	\$ 47,672	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,672
Intergovernmental	-	-	-	752,663	-	-	-	-	-	-	752,663
Charges for services	-	-	-	-	39,955	192,448	110,299	-	-	-	342,702
Miscellaneous	98,703	318	6,183	1	5	1	41	-	-	3,531	108,783
Total revenues	98,703	318	53,855	752,664	39,960	192,449	110,340	-	-	3,531	1,251,820
EXPENDITURES											
Current:											
General government	-	-	-	497,622	-	-	-	-	-	5,021	502,643
Public safety	-	-	-	254,630	31,265	-	-	-	790	-	286,685
Sanitation	-	-	-	-	-	154,044	-	-	-	-	154,044
Culture and recreation	18,063	-	-	-	-	-	98,561	-	-	-	116,624
Total expenditures	18,063	-	-	752,252	31,265	154,044	98,561	790	5,021	-	1,059,996
Excess (deficiency) of revenues over (under) expenditures	80,640	318	53,855	412	8,695	38,405	11,779	(790)	(1,490)	-	191,824
OTHER FINANCING USES											
Transfers out	(18,780)	-	-	-	-	-	(90,000)	-	-	-	(108,780)
Net change in fund balances	61,860	318	53,855	412	8,695	38,405	(78,221)	(790)	(1,490)	-	83,044
Fund balances, beginning	297,357	14,644	273,508	5,600	41,289	11,004	123,586	9,170	211,337	-	987,495
Fund balances, ending	\$ 359,217	\$ 14,962	\$ 327,363	\$ 6,012	\$ 49,984	\$ 49,409	\$ 45,365	\$ 8,380	\$ 209,847	\$ -	\$ 1,070,539

SCHEDULE 6
TOWN OF CONWAY, NEW HAMPSHIRE
Custodial Funds
Combining Schedule of Fiduciary Net Position
December 31, 2019

	Custodial Funds			Total
	Taxes	Trust Funds	Escrows	
ASSETS				
Cash and cash equivalents	\$ 9,273,019	\$ 5,957,052	\$ 1,057,477	\$ 16,287,548
Investments	-	-	246,967	246,967
Total assets	<u>\$ 9,273,019</u>	<u>\$ 5,957,052</u>	<u>\$ 1,304,444</u>	<u>\$ 16,534,515</u>
LIABILITIES				
Intergovernmental payables:				
School	\$ 9,273,019	\$ -	\$ -	\$ 9,273,019
NET POSITION				
Restricted	-	5,957,052	1,304,444	7,261,496
Total liabilities and net position	<u>\$ 9,273,019</u>	<u>\$ 5,957,052</u>	<u>\$ 1,304,444</u>	<u>\$ 16,534,515</u>

SCHEDULE 7
TOWN OF CONWAY, NEW HAMPSHIRE
Custodial Funds
Combining Schedule of Changes in Fiduciary Net Position
For the Fiscal Year Ended December 31, 2019

	Custodial Funds			Total
	Taxes	Trust Funds	Escrows	
ADDITIONS				
Contributions	\$ -	\$ 1,189,282	\$ 781,741	\$ 1,971,023
Investment earnings	-	89,192	5,645	94,837
Tax collections for other governments	24,240,196	-	-	24,240,196
Total additions	<u>24,240,196</u>	<u>1,278,474</u>	<u>787,386</u>	<u>26,306,056</u>
DEDUCTIONS				
Administrative expenses	-	556,525	-	556,525
Payments of taxes to other governments	24,240,196	-	-	24,240,196
Payments for escrow purposes	-	-	495,807	495,807
Total deductions	<u>24,240,196</u>	<u>556,525</u>	<u>495,807</u>	<u>25,292,528</u>
Change in net position	-	721,949	291,579	1,013,528
Net position, beginning, as restated (see Note 17)	-	5,235,103	1,012,865	6,247,968
Net position, ending	<u>\$ -</u>	<u>\$ 5,957,052</u>	<u>\$ 1,304,444</u>	<u>\$ 7,261,496</u>

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



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Town of Conway, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town of Conway's basic financial statements, and have issued our report thereon dated October 26, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Sheryl A. Piatt, CPA

PLODZIK & SANDERSON
Professional Association

October 26, 2020



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Conway's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Town of Conway's major federal program for the year ended December 31, 2019. The Town of Conway's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Town of Conway complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

Report on Internal Control Over Compliance

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

Town of Conway

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

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

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

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

Sheryl A. Platt, CPA

October 26, 2020

PLODZIK & SANDERSON
Professional Association

SCHEDULE II
TOWN OF CONWAY, NEW HAMPSHIRE
Schedule of Expenditure of Federal Awards
For the Fiscal Year Ended December 31, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<i>Passed Through the New Hampshire Community Development Finance Authority</i>				
Community Development Block Grant/State's Program	14.228	19-016-CDHS	\$475,000	\$497,622
U.S. DEPARTMENT OF JUSTICE				
<i>Passed Through the State of New Hampshire Department of Justice</i>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	-	45,000
U.S. DEPARTMENT OF TRANSPORTATION				
<i>Passed Through the State of New Hampshire Department of Transportation</i>				
<i>Highway Planning and Construction:</i>				
NH 16 (Main St) Roadway Reconstruction, Sidewalk & Waterline Improvements	20.205	40018	-	53,858
NH Route 16, NH Route 113, NH Route 153 (Eastern Project)	20.205	40638	-	114,029
<i>PROGRAM TOTAL</i>			-	167,887
U.S. DEPARTMENT OF HOMELAND SECURITY				
<i>Passed Through the New Hampshire Department of Safety</i>				
Homeland Security Grant Program	97.067	EWM-208-SS-00055	-	209,630
DIRECT FUNDING				
U.S. DEPARTMENT OF JUSTICE				
Bulletproof Vest Partnership Program	16.607	N/A	-	411
Total Expenditures of Federal Awards			\$ 475,000	\$ 920,550

The accompanying notes are an integral part of this schedule.

TOWN OF CONWAY, NEW HAMPSHIRE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Town of Conway under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Conway, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town of Conway.

Note 2. Summary of Significant Accounting Policies

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

Note 3. Indirect Cost Rate

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