

**TOWN OF CONWAY,  
NEW HAMPSHIRE**

**ANNUAL FINANCIAL REPORT**

**AS OF AND FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2010**

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# PLODZIK & SANDERSON

*Professional Association/Accountants & Auditors*

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## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Conway as of and for the year ended December 31, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Conway's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 the aggregate remaining fund information of the Town of Conway as of December 31, 2010 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information, on pages 2 through 8, and 31 through 33, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Conway's financial statements as a whole. The combining and individual fund financial schedules are presented for purposes of additional analysis and are not a required part of the financial statements. They are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

June 28, 2011

*Plodzik & Sanderson  
Professional Association*

# TOWN OF CONWAY MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basis financial statements themselves.

**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 assets presents information on all the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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).

The government-wide financial statements can be found on pages 9-14 of this report.

**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 and expendable trust funds, which are considered to be major funds. Data from the other nine 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. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for private enterprises.

**Notes to the financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information:** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information consisting of the budgetary comparison schedule for the general fund.

STATEMENT OF NET ASSETS:

	2010	2009	Increase (Decrease)
Current and other assets	14,719,892	13,921,658	798,234
Capital assets, net of depreciation	22,341,114	21,815,392	525,722
Total assets	37,061,006	35,737,050	1,323,956
Long-term liabilities outstanding	2,126,434	2,350,605	-224,171
Other liabilities	7,248,151	6,643,104	605,047
Total liabilities	9,374,585	8,993,709	380,876
Net assets:	27,686,421	26,743,341	943,080
Invested in capital assets, net of related debt	21,491,114	20,585,392	905,722
Restricted	232,366	235,483	-3,117
Unrestricted	5,962,941	5,922,466	40,475
Total net assets	27,686,421	26,743,341	943,080

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

Long-term liabilities are bonds, and notes due in more than one year. In addition this number includes compensated absences which are not expected to be paid within a year. Compensated absences are accumulated vacation and sick time which would be paid to employees on separation from the Town. The Town does not contribute to retirees health insurance cost but, since active employees and retirees are rated together the rates for active employees are higher. This creates an implicit rate subsidy which is reported as OPEB (Other Post- Employment Benefits). Also included in long-term liabilities are the accrued landfill closure and post-closure care costs.

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

The change in net assets is made up partially of changes in capital assets. This year infrastructure increased because of work done in cooperation with the North Conway Water Precinct and Conway Village Fire District. In addition, improvements were made to Locust Lane, Allard Hill Road and additional work was done on Kearsarge Road. The Town also replaced the Tasker Hill Bridge. This bridge replacement was done with 80% funding from the State of New Hampshire. The Police Department purchased a motorcycle with money from a Department of Justice Grant. They also purchased an accident reconstruction computer which was 50% funded with a Justice Department Grant. Two cruisers were also purchased for the Police Department and the furnace in the Police Station was replaced. A new dump truck with plow and a new pick-up truck were purchased for the Highway and the grader engine was rebuilt. The Solid Waste Department purchased a new tanker and a new pickup truck. Four properties were tax deeded to the Town and one property was redeemed. In addition since the State reimbursed the Town for all bond payments for the Courthouse it was deeded to the State of New Hampshire as agreed when it was built.

TOWN OF CONWAY  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2010

	Program Revenues		Net(Expense)
	Charges for Expenses	Operating Grants & Contributions	Revenue & Change in Net Assets
Governmental activities;			
General government	2,636,537	222,006	-2,414,531
Public Safety	3,328,635	93,605	206,469
Highway and streets	1,510,062		557,258
Sanitation	879,512	144,431	-735,081
Health	38,089		-38,089
Welfare	123,552		-123,552
Culture and recreation	956,366	84,049	29,482
Conservation	26,396		-26,396
Interest on long-term debt	45,929		-45,929
Capital outlay	197,711		-197,711
Total governmental activities	9,742,789	544,091	793,209
General Revenues:			
Taxes:			
Property			6,508,878
Other			331,286
Motor vehicle fees			1,433,806
Licenses & other fees			209,712
Grants & contrib. not restricted to specific programs			780,177
Unrestricted investment earnings			19,345
Miscellaneous			65,116
Total general revenues			9,348,320
Change in net assets			943,080
Net assets, beginning			26,743,341
Net assets, ending			27,686,421

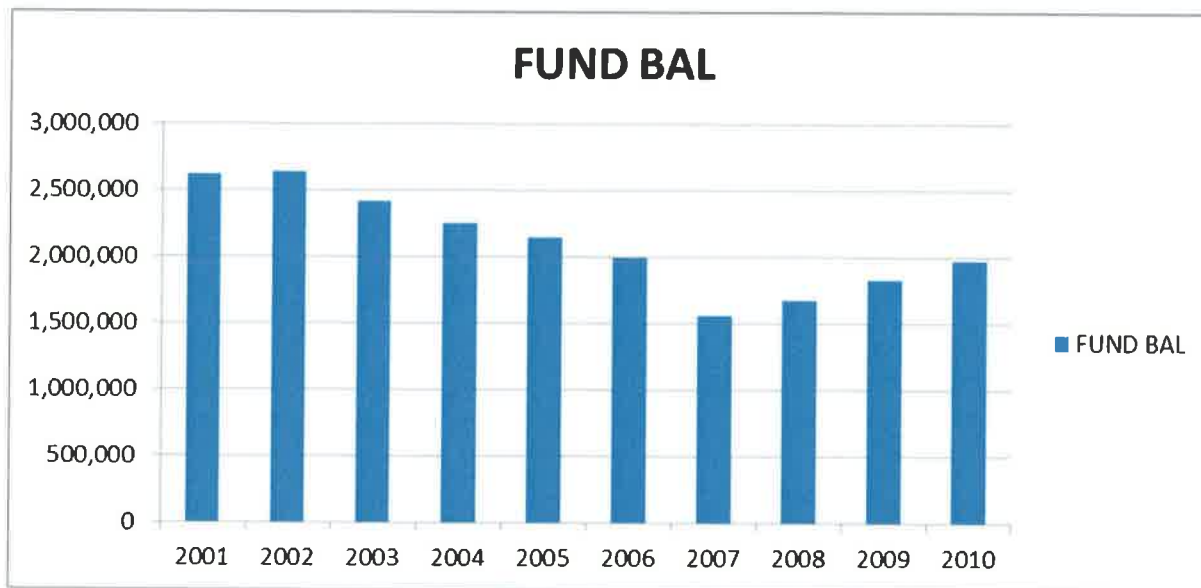
The first section of the Statement of Activities shows the relationship between expenses and offsetting revenues for various areas of Town government. The highway block grant is included in the operating grant number. The fees charged by various departments for services are included in the charges for 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 changes in net assets were described earlier.

The change in long-term debt resulted from payments to bonds.

The year 2010 ended with an unassigned fund balance in the General Fund of \$1,980,339. The unreserved, undesignated fund balance at the beginning of 2010 was \$1,827,458. For 2010 revenues in excess of estimates were \$223,456. Unexpended or unencumbered appropriations were \$386,976. This is shown in the Statement of Revenues, Appropriations, Expenditures and Change in Fund Balance. For 2010 \$450,000 from fund balance was used to reduce taxes. In addition \$7,551 was added to the amount reserved for contingency. This amount is set aside for abatement cases appealed to the Board of Tax and Land Appeals.

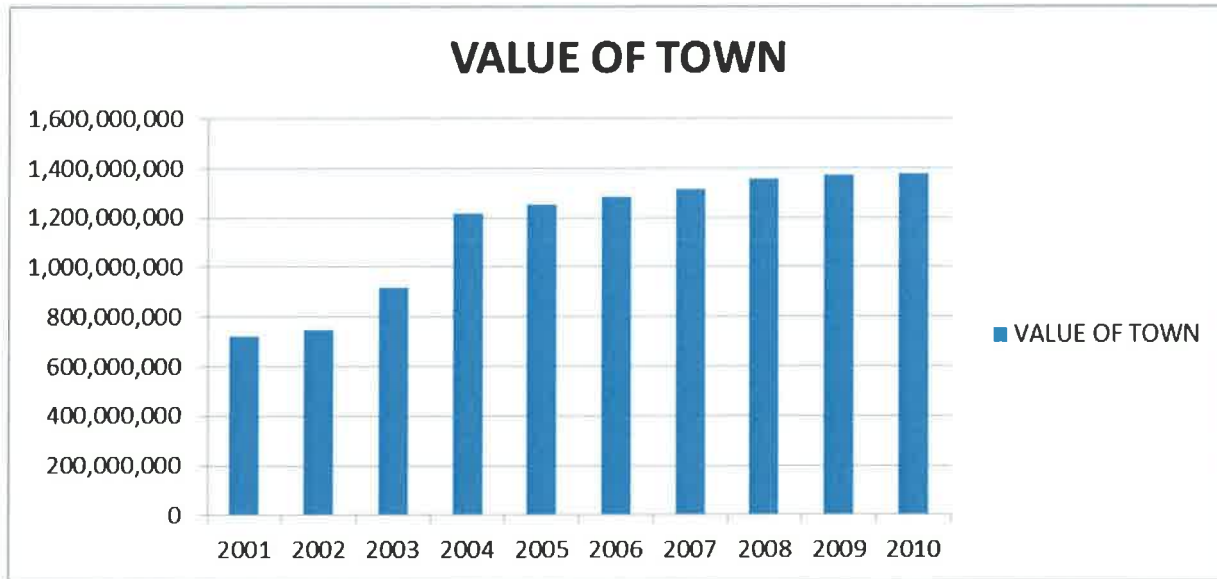
The Department of Revenue Administration and the Government Finance Officers Association recommend a fund balance of between 5% and 15% of the total of the town's appropriation, plus state and local education taxes, and precinct taxes be retained fund balance. This total for 2010 was \$27,310,734. Therefore, the recommended amount to be retained is between \$1,365,537 and \$4,096,610. The Town's retained fund balance of \$1,980,339 is just over 7%. The fund balance was declining for several years from a high of \$2,643,456 but has increased slightly for the last 3 years.

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

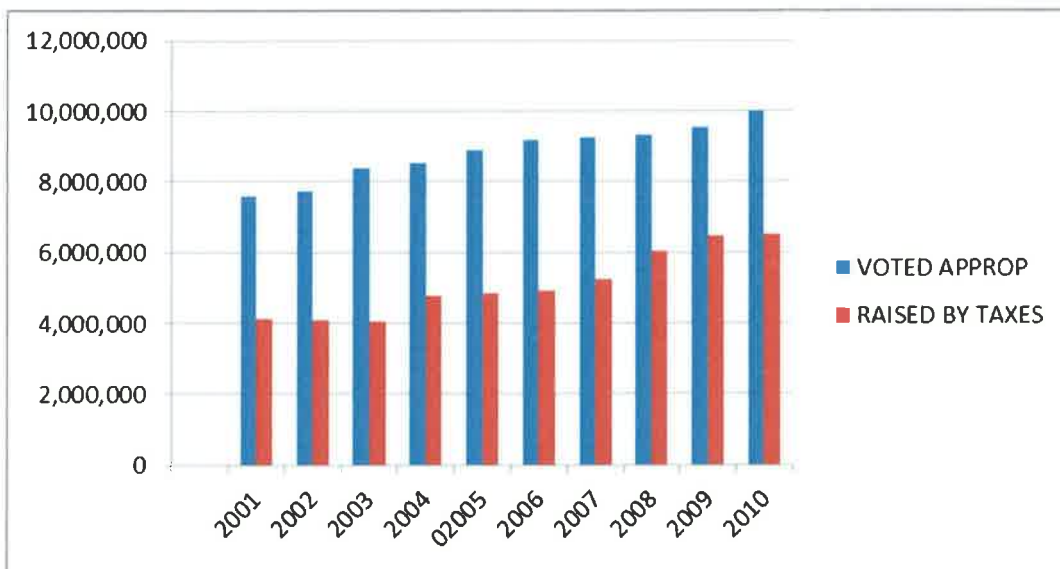


In the past 10 years the total net assessment for the Town of Conway has increased from 722,186,920 to 1,374,926,765 or over 190%. The increase in value to the Town has stalled as the real estate market has cooled and commercial construction has slowed. Current trends could force an adjustment of values down in order to stay at or below 100%.

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

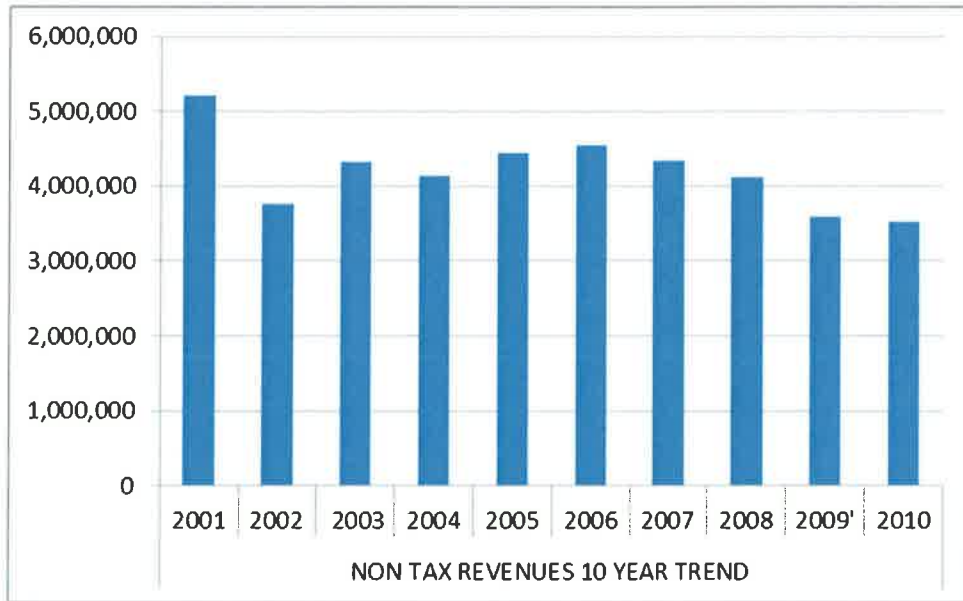


For the same period the relationship between total appropriations and the amount to be raised by taxes is shown in the chart below.

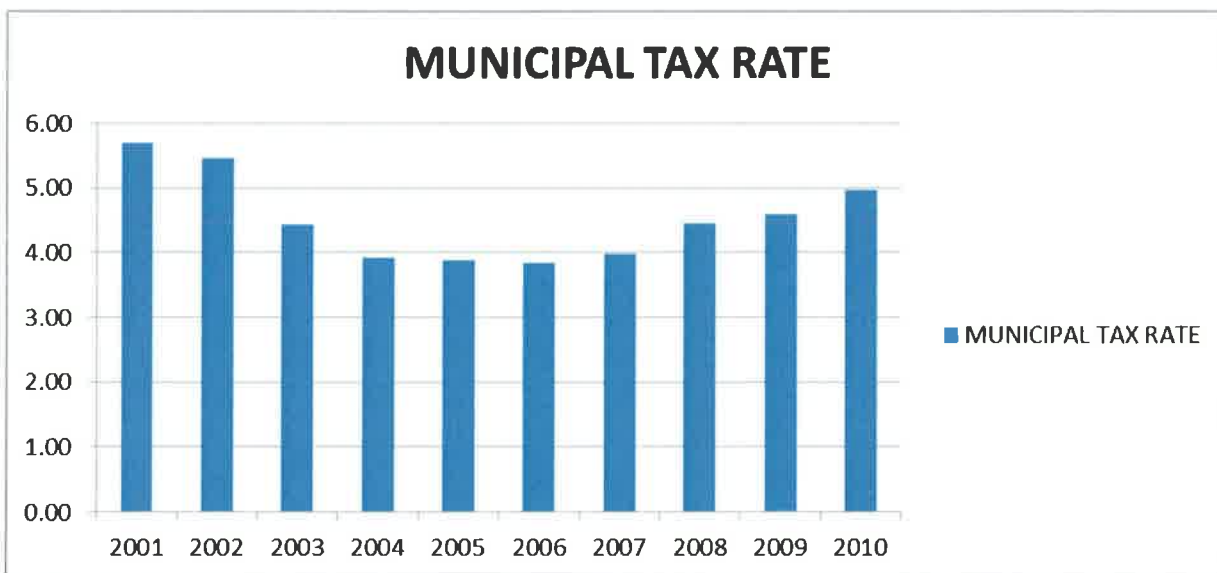




Non tax revenues, which were increasing, have drop off sharply. It is likely that revenues from the State of New Hampshire will continue to drop.



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



The information in the following spreadsheet was used to create the charts you have seen previously.

TOWN OF CONWAY					
TEN YEAR COMPARISON					
YEAR	2010	2009	2008	2007	2006
OPERATING BUDGET	8,929,327	9,199,343	9,339,365	8,812,428	8,709,232
SEPARATE					
WARRANT ARTICLES	937,938	153,000	338,681	285,137	287,840
NON PROFITS	158,565	183,049	191,615	177,749	175,549
TOTAL APPROPRIATIONS	10,025,830	9,535,392	9,869,661	9,275,314	9,172,621
AMOUNT RAISED BY					
TAXES	6,829,603	6,278,944	6,028,280	5,231,681	4,929,697
MUNICIPAL TAX RATE	4.96	4.59	4.45	3.98	3.84
PERCENT RAISED BY					
TAXES	68%	66%	61%	56%	54%
VALUE FOR MUNICIPAL	1,374,926,765	1,368,950,300	1,354,679,413	1,313,281,390	1,284,930,920
UNDESIGNATED FUND					
BAL	1,980,339	1,827,458	1,677,222	1,566,219	1,997,872
YEAR	2005	2004	2003	2002	2001
OPERATING BUDGET	8,481,897	8,088,055	7,774,767	7,364,717	7,164,523
SEPARATE			80,448		
WARRANT ARTICLES	338,102	253,545	347,718	207,102	221,650
NON PROFITS	174,963	178,028	176,828	175,862	197,897
TOTAL APPROPRIATIONS	8,994,962	8,519,628	8,379,761	7,747,681	7,584,070
AMOUNT RAISED BY					
TAXES	4,875,664	4,781,941	4,069,717	4,081,291	4,117,627
MUNICIPAL TAX RATE	3.88	3.92	4.43	5.47	5.70
PERCENT RAISED BY					
TAXES	54%	56%	49%	53%	54%
VALUE FOR MUNICIPAL	1,255,015,320	1,219,036,920	918,373,920	745,459,470	722,186,920
UNDESIGNATED FUND					
BAL	2,146,740	2,257,645	2,417,092	2,643,456	2,620,716

Anyone wishing more information may contact Lucy Philbrick, Finance Director at 603-447-3811 extension 121.

***BASIC FINANCIAL STATEMENTS***

**EXHIBIT A**  
**TOWN OF CONWAY, NEW HAMPSHIRE**  
**Statement of Net Assets**  
**December 31, 2010**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 4,451,711
Investments	7,429,321
Intergovernmental receivable	231,291
Other receivables, net of allowances for uncollectible	2,607,569
Capital assets, not being depreciated:	
Land	5,573,735
Capital assets, net of accumulated depreciation:	
Buildings and building improvements	4,033,751
Machinery, equipment and vehicles	1,793,377
Infrastructure	10,911,495
Intangible assets	28,756
Total assets	37,061,006
<b>LIABILITIES</b>	
Accounts payable	33,722
Accrued salaries and benefits	84,221
Contract payable	18,923
Intergovernmental payable	6,661,747
Accrued interest payable	10,302
Retainage payable	4,217
Unearned revenue	35,125
Noncurrent obligations:	
Due within one year:	
Bonds/notes	395,000
Compensated absences	4,894
Due in more than one year:	
Bonds/notes	455,000
Compensated absences	564,259
Other postemployment benefits	249,505
Accrued landfill closure and postclosure care costs	857,670
Total liabilities	9,374,585
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	21,491,114
Restricted for perpetual care	232,366
Unrestricted	5,962,941
Total net assets	\$ 27,686,421

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, 2010**

	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 2,636,288	\$ 222,006	\$ -	\$ (2,414,282)
Public safety	3,328,635	93,605	206,469	(3,028,561)
Highways and streets	1,510,062	-	557,258	(952,804)
Sanitation	879,512	144,431	-	(735,081)
Health	38,089	-	-	(38,089)
Welfare	123,552	-	-	(123,552)
Culture and recreation	956,366	84,049	29,482	(842,835)
Conservation	26,396	-	-	(26,396)
Interest on long-term debt	45,929	-	-	(45,929)
Capital outlay	197,711	-	-	(197,711)
Total governmental activities	<u>\$ 9,742,540</u>	<u>\$ 544,091</u>	<u>\$ 793,209</u>	<u>(8,405,240)</u>
General revenues:				
Taxes:				
Property				6,508,878
Other				331,286
Motor vehicle permit fees				1,433,806
Licenses and other fees				209,712
Grants and contributions not restricted to specific programs				780,177
Unrestricted investment earnings				19,345
Miscellaneous				65,116
Total general revenues				<u>9,348,320</u>
Change in net assets				943,080
Net assets, beginning				26,743,341
Net assets, ending				<u>\$ 27,686,421</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, 2010**

	General	Expendable Trust	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,307,935	\$ -	\$ 143,776	\$ 4,451,711
Investments	1,786,851	4,470,842	1,171,628	7,429,321
Receivables, net of allowance for uncollectible:				
Taxes	2,526,895	-	-	2,526,895
Accounts	62,890	-	17,784	80,674
Intergovernmental	2,060	-	229,231	231,291
Interfund receivable	247,103	-	4,382	251,485
Total assets	<u>\$ 8,933,734</u>	<u>\$ 4,470,842</u>	<u>\$ 1,566,801</u>	<u>\$ 14,971,377</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 33,722	\$ -	\$ -	\$ 33,722
Accrued salaries and benefits	84,221	-	-	84,221
Contract payable	18,923	-	-	18,923
Intergovernmental payable	6,661,747	-	-	6,661,747
Interfund payable	4,382	17,641	229,462	251,485
Retainage payable	-	4,217	-	4,217
Other	-	-	35,125	35,125
Total liabilities	<u>6,802,995</u>	<u>21,858</u>	<u>264,587</u>	<u>7,089,440</u>
Fund balances:				
Reserved for encumbrances	12,400	-	-	12,400
Reserved for endowments	-	-	73,244	73,244
Reserved for special purposes	-	-	159,122	159,122
Unreserved, designated for contingency	138,000	-	-	138,000
Unreserved, undesignated, reported in:				
General fund	1,980,339	-	-	1,980,339
Special revenue funds	-	4,448,984	1,069,848	5,518,832
Total fund balances	<u>2,130,739</u>	<u>4,448,984</u>	<u>1,302,214</u>	<u>7,881,937</u>
Total liabilities and fund balances	<u>\$ 8,933,734</u>	<u>\$ 4,470,842</u>	<u>\$ 1,566,801</u>	<u>\$ 14,971,377</u>

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

**EXHIBIT C-2**  
**TOWN OF CONWAY, NEW HAMPSHIRE**  
**Reconciliation of Total Governmental Fund Balances to the Statement of Net Assets**  
**December 31, 2010**

Total fund balances of governmental funds (Exhibit C-1)		\$ 7,881,937
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.		
Cost	\$ 26,072,602	
Less accumulated depreciation	<u>(3,731,488)</u>	22,341,114
Interfund receivables and payables between governmental funds are eliminated on the statement of net assets.		
Receivables	\$ (251,485)	
Payables	<u>251,485</u>	-
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(10,302)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.		
Bonds/notes	\$ 850,000	
Compensated absences payable	569,153	
Other postemployment benefits	249,505	
Accrued landfill closure and postclosure care costs	<u>857,670</u>	<u>(2,526,328)</u>
Total net assets of governmental activities (Exhibit A)		<u><u>\$ 27,686,421</u></u>

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

**EXHIBIT C-3**  
**TOWN OF CONWAY, NEW HAMPSHIRE**  
**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended December 31, 2010**

	General	Expendable Trust	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 6,824,895	\$ -	\$ 31,201	\$ 6,856,096
Licenses and permits	1,643,518	-	-	1,643,518
Intergovernmental	1,075,699	-	467,038	1,542,737
Charges for services	248,265	-	296,306	544,571
Miscellaneous	41,263	9,406	55,432	106,101
Total revenues	<u>9,833,640</u>	<u>9,406</u>	<u>849,977</u>	<u>10,693,023</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	1,799,237	100,669	3,606	1,903,512
Public safety	3,169,713	-	124,504	3,294,217
Highways and streets	1,694,635	-	-	1,694,635
Sanitation	685,593	-	109,983	795,576
Health	38,089	-	-	38,089
Welfare	122,141	-	-	122,141
Culture and recreation	825,257	-	76,373	901,630
Conservation	16,396	-	10,000	26,396
<b>Debt service:</b>				
Principal	380,000	-	-	380,000
Interest	51,084	-	-	51,084
Capital outlay	-	849,495	453,084	1,302,579
Total expenditures	<u>8,782,145</u>	<u>950,164</u>	<u>777,550</u>	<u>10,509,859</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,051,495</u>	<u>(940,758)</u>	<u>72,427</u>	<u>183,164</u>
<b>Other financing sources (uses):</b>				
Transfers in	36,875	915,538	-	952,413
Transfers out	(915,538)	-	(36,875)	(952,413)
Total other financing sources and uses	<u>(878,663)</u>	<u>915,538</u>	<u>(36,875)</u>	<u>-</u>
Net change in fund balances	172,832	(25,220)	35,552	183,164
Fund balances, beginning	1,957,907	4,474,204	1,266,662	7,698,773
Fund balances, ending	<u>\$ 2,130,739</u>	<u>\$ 4,448,984</u>	<u>\$ 1,302,214</u>	<u>\$ 7,881,937</u>

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



**EXHIBIT C-4**  
**TOWN OF CONWAY, NEW HAMPSHIRE**  
*Reconciliation of the Statement of Revenues, Expenditures, and*  
*Changes in Fund Balances of Governmental Funds to the Statement of Activities*  
**For the Fiscal Year Ended December 31, 2010**

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 183,164
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.		
Capitalized capital outlay	\$ 1,712,975	
Depreciation expense	(582,860)	
Loss on disposition of capital assets	<u>(604,393)</u>	525,722
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$ (952,413)	
Transfers out	<u>952,413</u>	-
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net assets.		
Repayment of bond/note principal		380,000
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 5,155	
Increase in compensated absences payable	(12,876)	
Increase in other postemployment benefits	(118,035)	
Increase in accrued landfill closure and postclosure care costs	<u>(20,050)</u>	<u>(145,806)</u>
Changes in net assets of governmental activities (Exhibit B)		<u>\$ 943,080</u>

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

**EXHIBIT D-1**  
**TOWN OF CONWAY, NEW HAMPSHIRE**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Assets**  
**December 31, 2010**

	Private Purpose Trust	Agency
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 86,362
Investments	122,696	3,127,105
Total assets	122,696	3,213,467
<b>LIABILITIES</b>		
Due to other governmental units	-	2,541,793
Due to others	-	671,674
Total liabilities	-	3,213,467
<b>NET ASSETS</b>		
Held in trust for special purposes	\$ 122,696	\$ -

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

**EXHIBIT D-2**  
**TOWN OF CONWAY, NEW HAMPSHIRE**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Assets**  
**For the Fiscal Year Ended December 31, 2010**

	Private Purpose Trust
<b>ADDITIONS</b>	
Investment earnings:	
Interest and dividends	\$ 235
New funds	21,915
Total additions	22,150
<b>DEDUCTIONS</b>	
Trust income distributions	(1,200)
Change in net assets	20,950
Net assets, beginning	101,746
Net assets, ending	\$ 122,696

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, 2010**

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**TOWN OF CONWAY, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**1-A Reporting Entity**

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

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

**1-B Basis of Presentation**

**Government-wide financial statements** – The government-wide financial statements display information about the Town as a whole. These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. The effect of interfund activity has been eliminated from these statements.

The statement of net assets presents the financial position of the governmental activities of the Town at year-end. This statement includes all of the Town's assets, liabilities, and net assets. Net assets are reported as one of three categories; invested in capital assets, net of related debt; restricted; or unrestricted.

The statement of activities presents a comparison between direct expenses and program revenues for the different functions of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function, and therefore, are clearly identifiable to a particular function. Program revenues include (1) charges to customers or applicants for goods received, services rendered or privileges provided, and (2) grants and contributions that are restricted to meeting operational requirements of a particular function. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund financial statements** – The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Financial statements of the Town are organized into funds, each of which is considered to be a separate accounting entity. Each fund has a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized as major funds or nonmajor funds within the governmental and fiduciary statements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- (a) Total assets, liabilities, revenues or expenditures of that individual governmental fund are at least 10% of the corresponding total for all funds of that category or type;
- (b) Total assets, liabilities, revenues or expenditures of the individual governmental fund are at least 5% of the corresponding total for all governmental funds combined; and
- (c) In addition, any other governmental fund that the Town believes is particularly important to the financial statement users may be reported as a major fund.

**TOWN OF CONWAY, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2010**

**Governmental activities** – Governmental funds are identified as general, special revenue, and permanent funds based upon the following guidelines:

**General Fund** – is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** – are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

**Permanent Funds** – are used to account for resources legally held in trust. All resources of the fund, including earnings on invested resources, may be used to support the Town.

**Fiduciary fund types** – These funds account for assets held by the Town as a trustee or agent for individuals, private organizations, and other units of governments. Fiduciary fund types are not part of the reporting entity in the government-wide financial statements, but are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These funds are as follows:

**Private Purpose Trust Funds** – are used to account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

**Agency Funds** – are used to account for resources held by the Town in a purely custodial capacity, for individuals, private organizations, and/or governmental units.

**Major funds** – The Town reports the following major governmental funds:

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

**Expendable Trust Funds** – the expendable trust funds account for the legally established funds for future costs.

**Nonmajor funds** – The Town also reports nine nonmajor governmental funds.

**1-C Measurement Focus**

**Government-wide and fiduciary fund financial statements** – The government-wide and fiduciary fund financial statements, except for agency funds which have no measurement focus, are reported using the economic resources measurement focus. Under this concept, revenues and expenses are matched using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Governmental fund financial statements** – 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 susceptible to accrual, that is, when they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current period. Property taxes, grants and contracts, and interest associated with the current period are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Town. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**TOWN OF CONWAY, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**Revenues – exchange transactions** – Revenue resulting from exchange transactions in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On the modified accrual basis revenue is recorded when the exchange takes place in the fiscal year in which the resources are measurable and become available.

**Revenues – nonexchange transactions** – Nonexchange transactions, in which the Town receives value without directly giving equal value in return, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all grantor imposed eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions also must be available (i.e., collected within 60 days) before it can be recognized, with the exception of property taxes which are recognized if expected to be collected in time to be used to pay the liability to the school district which is due over the next six months.

***1-D Cash and Cash Equivalents***

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

New Hampshire statutes require that the Town Treasurer have custody of all money belonging to the Town and pay out the same only upon orders of the Board of Selectmen. The treasurer shall deposit all such moneys in participation units in the public deposit investment pool established pursuant to NH RSA 383:22 or in solvent banks in the state. Funds may be deposited in banks outside 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 of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

***1-E Investments***

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

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

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

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

Investments are stated at fair value based on quoted market prices.

***1-F Receivables***

Receivables in the government-wide financial statements represent amounts due to the Town at December 31, recorded as revenue, which will be collected in the future and consist primarily of taxes, accounts, and intergovernmental receivables.

Tax revenue is recorded when a warrant for collection is committed to the tax collector. As prescribed by law, the tax collector executes a lien on properties for all uncollected property taxes in the following year after taxes are due. The lien on these properties has priority over other liens and accrues interest at 18% per annum. If property is not redeemed within the two year redemption period, the property is tax deeded to the Town.

Accounts receivable include various service charges which are recorded as revenue for the period when serviced was provided.

**TOWN OF CONWAY, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2010**

**1-G Interfund Balances**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as “interfund receivables and payables.” Interfund receivables and payables between funds are eliminated in the statement of net assets.

**1-H Capital Assets**

General capital assets are those assets of a capital nature which the Town owns. All capital assets are capitalized at cost (or estimated at historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Town maintains a capitalization threshold of \$5,000 and more than one year of estimated useful life. Improvements to capital assets are capitalized; the costs of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset’s life are expensed.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. All reported capital assets are depreciated over their estimated useful lives. Depreciation is computed using the straight-line method over the following useful lives:

	Years
Buildings and building improvements	30-120
Machinery, equipment and vehicles	15-20
Infrastructure	30-75
Intangible assets	15

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

**1-I Allowance for Uncollectible Accounts**

An allowance for uncollectible tax accounts has been established and recorded by management where collectability is in doubt.

**1-J Deferred/Unearned Revenue**

In the government-wide financial statements, deferred revenue is recognized when cash, receivables or other assets are recorded prior to their being earned. In the governmental fund financial statements deferred revenue represents monies received or revenues accrued which have not been earned or do not meet the “available” criterion for revenue recognition under the modified accrual basis of accounting. On the government-wide statements of net assets, deferred revenue is classified as unearned revenue.

**1-K 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 retirement or termination of employment, employees are paid in full for any accrued leave earned as set forth by personnel policy.

Vested amounts of both vacation and sick pay are reported as long-term liabilities in the statement of net assets.

**1-L Long-Term Obligations**

Long-term debt and other long-term obligations are reported as liabilities in the government-wide statements.



**TOWN OF CONWAY, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2010**

***1-M Claims and Judgments***

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

***1-N Equity Classifications***

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

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

***Fund statements*** – Governmental fund equity is classified as fund balance. Fund balance is classified as reserved and unreserved, with unreserved further split between designated and undesignated. Reserved fund balances represent amounts not available for appropriation, or are legally restricted by outside parties for use for a specific purpose. Designated fund balances represent tentative management plans that are subject to change. Undesignated fund balance amounts represent amounts available for use in future periods.

***1-O Interfund Activities***

Interfund activities are reported as follows:

***Interfund receivables and payables*** – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Interfund receivables and payables between funds are eliminated in the statement of net assets.

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

***1-P Use of Estimates***

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

**TOWN OF CONWAY, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2010**

**NOTE 2 – CASH AND CASH EQUIVALENTS**

Custodial credit risk is the risk that in the event of a bank failure, a government’s deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of December 31, 2010, none of the Town’s bank balances of \$4,942,541 was exposed to custodial credit risk as uninsured and uncollateralized.

Cash and cash equivalents reconciliation:

Cash per statement of net assets (Exhibit A)	\$ 4,451,711
Cash per statement of fiduciary net assets (Exhibit D-1)	86,362
Total cash and cash equivalents	<u>\$ 4,538,073</u>

**NOTE 3 – INVESTMENTS**

The Town maintains a portfolio of investments, consisting of Certificates of Deposit and New Hampshire Public Deposit Investment Pool deposits. As of December 31, 2010, the Town had the following investments:

	<u>Governmental</u>
	<u>Activities</u>
Certificate of deposit	\$ 10,419,652
New Hampshire Public Deposit Investment Pool	259,470
	<u>\$ 10,679,122</u>

Investment reconciliation:

Investment per statement of net assets (Exhibit A)	\$ 7,429,321
Investment per statement of fiduciary net assets (Exhibit D-1)	3,249,801
Total investments	<u>\$ 10,679,122</u>

**NOTE 4 – TAXES RECEIVABLE**

The property tax year is from April 1 to March 31 and all property taxes are assessed on the inventory taken in April of that year. The net assessed valuation as of April 1, 2010, upon which the 2010 property tax levy was based is:

For the New Hampshire education tax	\$ 1,359,930,800
For all other taxes	\$ 1,374,926,765

The Town subscribes to the semi-annual method of tax collection as provided for by RSA 76:15-a. Taxes were levied on July 1 and December 1. Interest accrues at a rate of 12% on bills outstanding after the due dates. The first billing is considered an estimate only and is one half of the previous year’s tax billing. The remaining balance of taxes due is billed in the fall after the New Hampshire Department of Revenue Administration has calculated and approved the Town’s tax rate for the fiscal year.

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 abatements and refunds of property taxes, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any tax allowance at year-end. The property taxes collected by the Town include taxes levied for the State of New Hampshire, Conway School District, several local precincts and districts and Carroll County, which are remitted as required by law. The ultimate responsibility for the collection of taxes rests with the Town.

**TOWN OF CONWAY, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2010**

The tax rates and amounts assessed for the year ended December 31, 2010 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
	<u>          </u>	<u>          </u>
Municipal portion	\$4.96	\$ 6,829,603
School portion:		
State of New Hampshire	\$2.52	3,426,874
Local	\$9.30	12,781,005
County portion	\$1.09	1,494,670
Precinct portions:		
Redstone Fire	\$0.57	52,859
Fire Assessment	\$0.85	265,497
North Conway Water	\$3.76	2,160,770
East Conway Fire	\$1.73	52,021
Kearsarge Lighting	\$0.15	13,394
Intervale Lighting	\$0.06	3,891
Conway Village Fire	\$2.12	396,622
Center Conway Fire	\$0.77	154,207
Birch Hill Village	-\$0.57	(23,983)
Total		<u><u>\$ 27,607,430</u></u>

During the current fiscal year, the tax collector executed a lien on May 4 for all uncollected 2009 property taxes.

Taxes receivable at December 31, 2010, are as follows:

Property:	
Levy of 2010	\$ 1,805,199
Unredeemed (under tax lien):	
Levy of 2009	527,862
Levy of 2008	225,486
Levies of 2007 and prior	304,764
Yield	4,565
Less: allowance for estimated uncollectible taxes	(340,981)
Net taxes receivable	<u><u>\$ 2,526,895</u></u>

**NOTE 5 – OTHER RECEIVABLES**

Receivables at December 31, 2010, consisted of accounts (billings for services 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.

**TOWN OF CONWAY, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2010**

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2010 consisted of the following:

	Balance, beginning	Additions	Disposals	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 5,559,728	\$ 15,932	\$ (1,925)	\$ 5,573,735
Being depreciated:				
Buildings and building improvements	5,532,466	245,119	(711,500)	5,066,085
Machinery, vehicles and equipment	3,240,591	306,504	(106,251)	3,440,844
Infrastructure	10,801,114	1,145,420	-	11,946,534
Intangible assets	55,404	-	(10,000)	45,404
Total capital assets being depreciated	<u>19,629,575</u>	<u>1,697,043</u>	<u>(827,751)</u>	<u>20,498,867</u>
Total all capital assets	<u>25,189,303</u>	<u>1,712,975</u>	<u>(829,676)</u>	<u>26,072,602</u>
Less accumulated depreciation:				
Buildings and building improvements	(1,070,880)	(91,896)	130,442	(1,032,334)
Machinery, vehicles and equipment	(1,542,004)	(199,965)	94,502	(1,647,467)
Infrastructure	(747,073)	(287,972)	6	(1,035,039)
Intangible assets	(13,954)	(2,694)	-	(16,648)
Total accumulated depreciation	<u>(3,373,911)</u>	<u>(582,527)</u>	<u>224,950</u>	<u>(3,731,488)</u>
Net book value, capital assets being depreciated	<u>16,255,664</u>	<u>1,114,516</u>	<u>(602,801)</u>	<u>16,767,379</u>
Net book value, all governmental activities capital assets	<u>\$ 21,815,392</u>	<u>\$ 1,114,516</u>	<u>\$ (604,726)</u>	<u>\$ 22,341,114</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	\$ 28,936
Public safety	45,056
Highways and streets	393,872
Sanitation	57,421
Culture and recreation	57,575
Total depreciation expense	<u>\$ 582,860</u>

**NOTE 7 – INTERFUND BALANCES AND TRANSFERS**

Interfund receivable and payable balances consisting of overdrafts in pooled cash and budgetary transfers at December 31, 2010, are as follows:

Receivable Fund	Payable Fund	Amount
General	Expendable trust	\$ 17,641
	Nonmajor	229,462
Nonmajor	General	4,382
		<u>\$ 251,485</u>

Interfund transfers during the year ended December 31, 2010 are as follows:

	Transfers In:		
	General Fund	Expendable Trust Fund	Total
Transfers out:			
General fund	\$ -	\$ 915,538	\$ 915,538
Nonmajor funds	36,875	-	36,875
Total	<u>\$ 36,875</u>	<u>\$ 915,538</u>	<u>\$ 952,413</u>

**TOWN OF CONWAY, NEW HAMPSHIRE**  
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Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and (2) use unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 8 – INTERGOVERNMENTAL PAYABLES**

Amounts due to other governments at December 31, 2010, consist of the following:

Balance of 2010-2011 district assessment due to the Conway School District	\$ 6,657,879
Fees due to the State of New Hampshire	3,868
Total	<u>\$ 6,661,747</u>

**NOTE 9 – DEFERRED/UNEARNED REVENUE**

Deferred/unearned revenue of \$35,125 at December 31, 2010 consists of federal grant revenues collected in advance of eligible expenditures being made.

**NOTE 10 – LONG-TERM LIABILITIES**

Changes in the Town's long-term obligations consisted of the following for the year ended December 31, 2010:

	General Obligation Bonds/Notes Payable	Compensated Absences Payable	Accrued Landfill Closure and Postclosure Care Costs Payable	Other Postemployment Benefits Payable	Total
Balance, beginning	\$ 1,230,000	\$ 556,277	\$ 837,620	\$ 131,470	\$ 2,755,367
Additions	-	12,876	20,050	118,035	150,961
Reductions	(380,000)	-	-	-	(380,000)
Balance, ending	<u>\$ 850,000</u>	<u>\$ 569,153</u>	<u>\$ 857,670</u>	<u>\$ 249,505</u>	<u>\$ 2,526,328</u>

Long-term liabilities payable are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2010	Current Portion
General obligation bonds/notes payable:						
Refunding bonds	\$ 3,275,000	1999	2011	3.5-4.3	\$ 315,000	\$ 315,000
Library addition	\$ 1,178,250	2002	2017	3.5-4.3	535,000	80,000
					<u>850,000</u>	<u>395,000</u>
Compensated absences payable:						
Vested sick and accrued vacation leave					569,153	4,894
Other postemployment benefits payable					249,505	-
Accrued landfill closure and postclosure care costs					857,670	-
Total					<u>\$ 2,526,328</u>	<u>\$ 399,894</u>

**TOWN OF CONWAY, NEW HAMPSHIRE**  
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The annual requirements to amortize all general obligation bonds outstanding as of December 31, 2010, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2011	\$ 395,000	\$ 32,349	\$ 427,349
2012	80,000	16,004	96,004
2013	75,000	12,804	87,804
2014	75,000	9,804	84,804
2015	75,000	6,312	81,312
2016-2017	150,000	4,800	154,800
Totals	<u>\$ 850,000</u>	<u>\$ 82,073</u>	<u>\$ 932,073</u>

**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 \$857,670 as of December 31, 2010, which is based on 33% usage (filled) of the landfill. It is estimated that an additional \$1,663,000 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 (2041). The estimated total current cost of the landfill closure and postclosure care (\$2,599,000) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor and maintain the landfill were acquired as of December 31, 2010. 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 receive 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. During the year ended December 31, 2010, the Town deposited \$30,000 into this fund which has a balance of \$1,806,621 at year end.

**NOTE 11 – GOVERNMENTAL ACTIVITIES NET ASSETS**

Governmental activities net assets reported on the government-wide statement of net assets at December 31, 2010 include the following:

Invested in capital assets, net of related debt:	
Capital assets, net of accumulated depreciation	\$ 22,341,114
Less:	
General obligation bonds payable, net	<u>(850,000)</u>
Total invested in capital assets, net of related debt	21,491,114
Restricted for perpetual care	232,366
Unrestricted	<u>5,962,941</u>
Total net assets	<u>\$ 27,686,421</u>

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**NOTE 12 – GOVERNMENTAL FUND BALANCES**

Governmental fund balances reported on the fund financial statements at December 31, 2010 include the following:

Reserved:	
Major fund:	
General	\$ 12,400
Nonmajor fund:	
Permanent	232,366
Total reserved fund balance	<u>244,766</u>
Unreserved, designated:	
Major fund:	
General	<u>138,000</u>
Unreserved, undesignated:	
Major fund:	
General	1,980,339
Expendable trust	4,448,984
Nonmajor funds:	
Special revenue	<u>1,069,848</u>
Total unreserved, undesignated fund balance	<u>7,499,171</u>
Total governmental fund balances	<u><u>\$ 7,881,937</u></u>

**NOTE 13 – EMPLOYEE RETIREMENT PLAN**

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

The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees except police officers and firefighters are required to contribute 5% of earnable compensation. Police officers and firefighters are required to contribute 9.3% of gross earnings. For the first six months of 2010, the Town contributed 13.66% for police, 17.28% for fire, and 9.16% for other employees. As of July 1, those rates increased to 14.63% for police and 18.52% for fire. Employer contribution for other employees remained at 9.16%. The contribution requirements for the Town of Conway for the fiscal years 2008, 2009, and 2010 were \$368,098, \$391,522, and \$416,200, respectively, which were paid in full in each year.

For the first six months of 2010, the State of New Hampshire funded 30% of the total employer normal contribution rate for police officers and firefighters employed by the Town. As of July 1, the funding rate decreased to 25% of the total employer normal contribution rate. This amount \$71,229, is reported as an “on-behalf payment” as an expenditure and revenue on the governmental fund operating statement, and as an expense and revenue on the government-wide statements of activities.

**NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

In addition to pension benefits described in Note 13, the Town provides postemployment benefit options for health care and dental to eligible retirees, terminated employees, and their dependents. The benefits are provided in accordance with the Town’s agreements, collective bargaining agreements, and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The criteria to determine eligibility include: years of service, employee age, and whether the employee has vested in the respective retirement plan. The Town funds the benefits on a pay-as-you-go basis. Eligible employees are required to pay set premiums for a portion of the cost with the Town subsidizing the remaining costs. Expenses for the postretirement health care benefits are recognized as eligible employee claims are paid.

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The Town has only partially funded (on a pay-as-you-go basis) the annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty-years. The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2010:

Interest on net OPEB obligations	\$ 329
Adjustment to ARC	(2,359)
Annual OPEB cost (expense)	<u>344,611</u>
Contributions made (assumed middle of year)	<u>(226,576)</u>
Increase in net OPEB obligation	118,035
Net OPEB obligation, beginning	<u>131,470</u>
Net OPEB obligation, ending	<u><u>\$ 249,505</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010 was as follows:

Fiscal Year Ended	Annual Required Contribution (ARC)	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
December 31, 2009	\$ 333,309	\$ (201,839)	60.6%	\$ 131,470
December 31, 2010	\$ 344,611	\$ (226,576)	65.7%	<u>118,035</u>
				<u><u>\$ 249,505</u></u>

*Funded Status and Funding Program*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll	UAAL as a Percentage of Covered Payroll
December 31, 2009	\$ -	\$ 1,877,943	\$ 1,877,943	0.00%	\$ 3,959,525	47.43%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The *Funded Status and Funding Program* is designed to present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

**NOTE 15 – 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 2010, the Town was a member of the Local Government Center Property-Liability Trust, LLC, and Workers' Compensation Programs. This entity is considered a public entity risk pool, currently operating as common risk management and insurance programs for member Towns and cities.



**TOWN OF CONWAY, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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The Local Government Center Property-Liability Trust, LLC, is a Trust organized to provide certain property and liability insurance coverages to member Towns, cities and other qualified political subdivisions of New Hampshire. As a member of the Local Government Center Property-Liability Trust, LLC, the Town shares in contributing to the cost of, and receiving benefits from, a self-insured pooled risk management program. The membership and coverage run from July 1 to June 30. The program maintains a self-insured retention above which it purchases reinsurance and excess insurance. This policy covers property, auto physical damage, crime, general liability, and public officials' liability subject to a \$1,000 deductible.

Contributions paid in fiscal year ending December 31, 2010, to be recorded as an insurance expenditure totaled \$102,519. There were no unpaid contributions for the year ended December 31, 2010. The trust agreement permits the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. At this time, the Trust foresees no likelihood of any additional assessments for past years. The Town also paid \$77,346 for workers' compensation and \$7,485 for unemployment compensation for the year ended December 31, 2010.

**NOTE 16 – CONTINGENT LIABILITIES**

The Town has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement from the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the Town believes such disallowances, if any, will be immaterial.

**NOTE 17 – SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through June 28, 2011, the date the December 31, 2010 financial statements were issued, and no events occurred requiring recognition or disclosure.

**NOTE 18 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

In March 2009 the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The requirements of Statement No. 54 are not mandatory for the Town until fiscal year ended December 31, 2011.

**NOTE 19 – KEITH HENNEY TRUST**

The Town was a beneficiary in 1984 of the Keith Henney Trust. In accordance with the bequest, the trustee is Bank of America Investment Services. The bequest provides that net income from 32% of the initial trust corpus shall be utilized primarily to defray the expenses of maintaining, operating, and improving the Nella Braddy Henney History Room at the Public Library. Expended from the funds in 2010 was \$36,604. The market value of the fund at December 31, 2010, was \$560,443 as reported by the bank. The income is reported in the Public Library fund (a special revenue fund). The reports of Bank of America Investment Services are not included in the audit of the Town's records.

***REQUIRED SUPPLEMENTARY INFORMATION***

**EXHIBIT E**  
**TOWN OF CONWAY, NEW HAMPSHIRE**  
*Schedule of Revenues, Expenditures, and Changes in Fund Balance*  
*Budget and Actual (Non-GAAP Budgetary Basis)*  
**General Fund**  
**For the Fiscal Year Ended December 31, 2010**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Taxes	\$ 6,774,253	\$ 6,824,895	\$ 50,642
Licenses and permits	1,544,988	1,643,518	98,530
Intergovernmental	908,145	1,004,470	96,325
Charges for services	249,324	248,265	(1,059)
Miscellaneous	62,245	41,263	(20,982)
Total revenues	<u>9,538,955</u>	<u>9,762,411</u>	<u>223,456</u>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	1,964,498	1,799,237	165,261
Public safety	3,077,706	3,098,484	(20,778)
Highways and streets	1,869,983	1,707,035	162,948
Sanitation	742,079	685,593	56,486
Health	38,840	38,089	751
Welfare	139,921	122,141	17,780
Culture and recreation	826,970	825,257	1,713
Conservation	17,250	16,396	854
<b>Debt service:</b>			
Principal	380,000	380,000	-
Interest	53,045	51,084	1,961
Total expenditures	<u>9,110,292</u>	<u>8,723,316</u>	<u>386,976</u>
Excess of revenues over expenditures	<u>428,663</u>	<u>1,039,095</u>	<u>610,432</u>
<b>Other financing sources (uses):</b>			
Transfers in	36,875	36,875	-
Transfers out	<u>(915,538)</u>	<u>(915,538)</u>	-
Total other financing sources and uses	<u>(878,663)</u>	<u>(878,663)</u>	-
Net change in fund balances	<u>\$ (450,000)</u>	160,432	<u>\$ 610,432</u>
Increase in fund balance, designated for contingency		(7,551)	
Unreserved fund balance, beginning		1,827,458	
Unreserved fund balance, ending		<u>\$ 1,980,339</u>	

**TOWN OF CONWAY, NEW HAMPSHIRE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED**  
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General Budget Policies .....	1
Budgetary Reconciliation .....	2

**TOWN OF CONWAY, NEW HAMPSHIRE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2010**

**1. General Budget Policies**

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.

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 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 unreserved fund balance to achieve that end. In the fiscal year 2010, \$450,000 of the beginning general fund fund balance was applied for this purpose.

**2. Budgetary Reconciliation**

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

Revenues and other financing sources:	
Per Exhibit E (budgetary basis)	\$ 9,799,286
Adjustment:	
Basis difference:	
On-behalf retirement contributions made by the State of New Hampshire recognized as revenue on the GAAP basis, but not on the budgetary basis	71,229
Per Exhibit C-3 (GAAP basis)	<u>\$ 9,870,515</u>
Expenditures and other financing uses:	
Per Exhibit E (budgetary basis)	\$ 9,638,854
Adjustment:	
Basis differences:	
Encumbrances, beginning	-
Encumbrances, ending	(12,400)
On-behalf retirement contributions made by the State of New Hampshire recognized as an expenditure on the GAAP basis, but not on the budgetary basis	71,229
Per Exhibit C-3 (GAAP basis)	<u>\$ 9,697,683</u>

*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, 2010**

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 6,506,357	\$ 6,524,810	\$ 18,453
Land use change	25,000	31,201	6,201
Yield	15,000	13,087	(1,913)
Excavation	650	405	(245)
Payment in lieu of taxes	17,246	17,246	-
Interest and penalties on taxes	210,000	238,146	28,146
Total from taxes	<u>6,774,253</u>	<u>6,824,895</u>	<u>50,642</u>
Licenses, permits and fees:			
Business licenses, permits and fees	20,500	19,275	(1,225)
Motor vehicle permit fees	1,337,000	1,433,806	96,806
Building permits	40,000	45,324	5,324
Other	147,488	145,113	(2,375)
Total from licenses, permits and fees	<u>1,544,988</u>	<u>1,643,518</u>	<u>98,530</u>
Intergovernmental:			
State:			
Meals and rooms distribution	407,260	407,260	-
Highway block grant	224,293	224,293	-
Other	276,592	372,917	96,325
Total from intergovernmental	<u>908,145</u>	<u>1,004,470</u>	<u>96,325</u>
Charges for services:			
Income from departments	<u>249,324</u>	<u>248,265</u>	<u>(1,059)</u>
Miscellaneous:			
Sale of municipal property	6,500	6,364	(136)
Interest on investments	7,000	6,298	(702)
Other	48,745	28,601	(20,144)
Total from miscellaneous	<u>62,245</u>	<u>41,263</u>	<u>(20,982)</u>
Other financing sources:			
Transfers in	<u>36,875</u>	<u>36,875</u>	<u>-</u>
Total revenues and other financing sources	9,575,830	<u>\$ 9,799,286</u>	<u>\$ 223,456</u>
Unreserved fund balance used to reduce tax rate	450,000		
Total revenues, other financing sources and use of fund balance	<u>\$ 10,025,830</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, 2010**

	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
<b>Current:</b>				
<b>General government:</b>				
Executive	\$ 223,101	\$ 213,546	\$ -	\$ 9,555
Election and registration	95,560	97,548	-	(1,988)
Financial administration	253,151	252,590	-	561
Revaluation of property	141,581	136,079	-	5,502
Legal	60,000	30,548	-	29,452
Personnel administration	864,445	754,691	-	109,754
Planning and zoning	162,533	160,044	-	2,489
General government buildings	107,726	98,225	-	9,501
Cemeteries	1	-	-	1
Insurance, not otherwise allocated	56,400	55,966	-	434
<b>Total general government</b>	<u>1,964,498</u>	<u>1,799,237</u>	<u>-</u>	<u>165,261</u>
<b>Public safety:</b>				
Police	2,586,293	2,608,269	-	(21,976)
Ambulance	154,000	154,000	-	-
Fire	267,960	267,259	-	701
Building inspection	69,453	68,956	-	497
<b>Total public safety</b>	<u>3,077,706</u>	<u>3,098,484</u>	<u>-</u>	<u>(20,778)</u>
<b>Highways and streets:</b>				
Administration	57,896	56,909	-	987
Highways and streets	1,812,087	1,637,726	12,400	161,961
<b>Total highways and streets</b>	<u>1,869,983</u>	<u>1,694,635</u>	<u>12,400</u>	<u>162,948</u>
<b>Sanitation:</b>				
Administration	57,796	56,905	-	891
Solid waste disposal	684,283	628,688	-	55,595
<b>Total sanitation</b>	<u>742,079</u>	<u>685,593</u>	<u>-</u>	<u>56,486</u>
<b>Health:</b>				
Pest control	3,275	2,524	-	751
Health agencies	35,565	35,565	-	-
<b>Total health</b>	<u>38,840</u>	<u>38,089</u>	<u>-</u>	<u>751</u>
<b>Welfare:</b>				
Administration	45,632	46,675	-	(1,043)
Direct assistance	48,000	27,466	-	20,534
Vendor payments	46,289	48,000	-	(1,711)
<b>Total welfare</b>	<u>139,921</u>	<u>122,141</u>	<u>-</u>	<u>17,780</u>
<b>Culture and recreation:</b>				
Parks and recreation	377,158	376,573	-	585
Library	438,112	435,514	-	2,598
Patriotic purposes	11,700	13,170	-	(1,470)
<b>Total culture and recreation</b>	<u>826,970</u>	<u>825,257</u>	<u>-</u>	<u>1,713</u>
Conservation	17,250	16,396	-	854

(Continued)



*SCHEDULE 2 (Continued)*  
**TOWN OF CONWAY, NEW HAMPSHIRE**  
*Major General Fund*  
*Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended December 31, 2010*

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Encumbered to Subsequent Year</u>	<u>Variance Positive (Negative)</u>
Debt service:				
Principal of long-term debt	380,000	380,000	-	-
Interest on long-term debt	50,545	50,545	-	-
Interest on tax anticipation notes	2,500	539	-	1,961
Total debt service	<u>433,045</u>	<u>431,084</u>	<u>-</u>	<u>1,961</u>
Other financing uses:				
Transfers out	<u>915,538</u>	<u>915,538</u>	<u>-</u>	<u>-</u>
Total appropriations, expenditures, other financing uses and encumbrances	<u>\$ 10,025,830</u>	<u>\$ 9,626,454</u>	<u>\$ 12,400</u>	<u>\$ 386,976</u>

**SCHEDULE 3**  
**TOWN OF CONWAY, NEW HAMPSHIRE**  
**Major General Fund**  
*Schedule of Changes in Unreserved - Undesignated Fund Balance (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended December 31, 2010*

Unreserved, undesignated fund balance (budgetary basis), beginning		\$ 1,827,458
Changes:		
Unreserved fund balance used to reduce 2010 tax rate		(450,000)
2010 Budget summary:		
Revenue surplus (Schedule 1)	\$ 223,456	
Unexpended balance of appropriations (Schedule 2)	<u>386,976</u>	
2010 Budget surplus		<u>610,432</u>
Unreserved, undesignated fund balance, ending		<u><u>\$ 1,980,339</u></u>

**SCHEDULE 4**  
**TOWN OF CONWAY, NEW HAMPSHIRE**  
*Nonmajor Governmental Funds*  
**Combining Balance Sheet**  
**December 31, 2010**

	Special Revenue Funds										Total
	Public Library	Conservation Commission	Hubbard and Davis Public Forest Reserve	Police Commercial Detail	Police D.A.R.E.	Recycling Special Waste	Recreation	Grants	Permanent Fund		
<b>ASSETS</b>											
Cash and cash equivalents	\$ 53,538	\$ -	\$ -	\$ 7,903	\$ 1	\$ 11,361	\$ 35,848	\$ 35,125	\$ -	\$ -	\$ 143,776
Investments	259,470	664,485	15,307	-	-	-	-	-	232,366	-	1,171,628
Accounts receivable, net of allowance	7	-	-	2,520	-	15,257	-	-	-	-	17,784
Intergovernmental	-	-	-	-	-	-	-	229,231	-	-	229,231
Interfund receivable	-	-	-	4,360	-	-	22	-	-	-	4,382
<b>Total assets</b>	<b>\$ 313,015</b>	<b>\$ 664,485</b>	<b>\$ 15,307</b>	<b>\$ 14,783</b>	<b>\$ 1</b>	<b>\$ 26,618</b>	<b>\$ 35,870</b>	<b>\$ 264,356</b>	<b>\$ 232,366</b>	<b>\$ -</b>	<b>\$ 1,566,801</b>
<b>LIABILITIES AND FUND BALANCES</b>											
Liabilities:											
Interfund payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 231	\$ -	\$ 229,231	\$ -	\$ -	\$ 229,462
Other	-	-	-	-	-	-	-	35,125	-	-	35,125
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>231</b>	<b>-</b>	<b>264,356</b>	<b>-</b>	<b>-</b>	<b>264,587</b>
Fund balances:											
Reserved for endowments	-	-	-	-	-	-	-	-	73,244	-	73,244
Reserved for special purposes	-	-	-	-	-	-	-	-	159,122	-	159,122
Unreserved, undesignated	313,015	664,485	15,307	14,783	1	26,387	35,870	-	-	-	1,069,848
<b>Total fund balances</b>	<b>313,015</b>	<b>664,485</b>	<b>15,307</b>	<b>14,783</b>	<b>1</b>	<b>26,387</b>	<b>35,870</b>	<b>-</b>	<b>232,366</b>	<b>-</b>	<b>1,302,214</b>
<b>Total liabilities and fund balances</b>	<b>\$ 313,015</b>	<b>\$ 664,485</b>	<b>\$ 15,307</b>	<b>\$ 14,783</b>	<b>\$ 1</b>	<b>\$ 26,618</b>	<b>\$ 35,870</b>	<b>\$ 264,356</b>	<b>\$ 232,366</b>	<b>\$ -</b>	<b>\$ 1,566,801</b>

**SCHEDULE 5**  
**TOWN OF CONWAY, NEW HAMPSHIRE**  
*Nonmajor Governmental Funds*  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended December 31, 2010**

	Special Revenue Funds										Total
	Public Library	Conservation Commission	Hubbard and Davis Public Forest Reserve	Police Commercial Detail	Police D.A.R.E.	Recycling Special Waste	Recreation	Grants	Permanent Fund		
Revenues:											
Taxes	\$ -	\$ 31,201	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,201
Intergovernmental	-	-	-	-	-	-	-	-	-	-	467,038
Charges for services	17,839	-	-	93,605	-	118,173	66,689	-	-	-	296,306
Miscellaneous	36,255	1,359	32	36	1,168	39	36	16,018	489	-	55,432
Total revenues	54,094	32,560	32	93,641	1,168	118,212	66,725	483,056	489	-	849,977
Expenditures:											
Current:											
General government	-	-	-	-	-	-	-	-	3,606	-	3,606
Public safety	-	-	-	91,329	2,724	-	-	30,451	-	-	124,504
Sanitation	-	-	-	-	-	109,983	-	-	-	-	109,983
Culture and recreation	21,373	-	-	-	-	-	55,000	-	-	-	76,373
Conservation	-	10,000	-	-	-	-	-	-	-	-	10,000
Capital outlay	-	-	-	-	-	-	-	453,084	-	-	453,084
Total expenditures	21,373	10,000	-	91,329	2,724	109,983	55,000	483,535	3,606	-	777,550
Excess (deficiency) of revenues over (under) expenditures	32,721	22,560	32	2,312	(1,556)	8,229	11,725	(479)	(3,117)	-	72,427
Other financing uses:											
Transfers out	(36,875)	-	-	-	-	-	-	-	-	-	(36,875)
Net change in fund balances	(4,154)	22,560	32	2,312	(1,556)	8,229	11,725	(479)	(3,117)	-	35,552
Fund balances, beginning	317,169	641,925	15,275	12,471	1,557	18,158	24,145	479	235,483	-	1,266,662
Fund balances, ending	\$ 313,015	\$ 664,485	\$ 15,307	\$ 14,783	\$ 1	\$ 26,387	\$ 35,870	\$ -	\$ 232,366	\$ -	\$ 1,302,214



## PLODZIK & SANDERSON

*Professional Association/Accountants & Auditors*

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### **INDEPENDENT AUDITOR'S COMMUNICATION OF NO MATERIAL WEAKNESSES**

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

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Conway as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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'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. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

This communication is intended solely for the information and use of management, the board of selectmen, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

June 28, 2011

*Plodzik & Sanderson  
Professional Association*