

TOWN OF BOW, NEW HAMPSHIRE

FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

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Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S REPORT

To the Town Manager and Members of the Board of Selectmen
Town of Bow
10 Grandview Road
Bow, New Hampshire 03304

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Bow, as of and for the fiscal year ended June 30, 2017, which collectively comprise the Town's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Bow, as of June 30, 2017, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress for other postemployment benefits, and pension related information on pages 3-9 and 39-42 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. 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 basic financial statements of the Town of Bow. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The 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 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 combining and individual fund schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

February 21, 2018

Robert A. Sheene, PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

Having responsibility for the financial management of the Town of Bow (“Town”), we offer readers of the Town’s financial statements this narrative overview and analysis of the financial activities of the Town for the year ended June 30, 2017.

Financial Highlights

As of June 30, 2017, the assets of the Town exceeded its liabilities by \$37,317,440 (net position). Of this amount, there is a deficit in the unrestricted net position of \$1,673,477.

The Town’s net position decreased by \$6,388,222. This was due entirely to a court decision resulting in a property tax refund including interest through June 30, 2017 of \$7,152,054.

As of June 30, 2017, the Town’s governmental funds reported combined ending fund balances of \$5,004,481, a decrease of \$7,020,801 in comparison with the prior year.

As of June 30, 2017, the unassigned fund balance of the General Fund has a deficit of \$2,272,315 which represents 13% of total General Fund expenditures.

During the year ended June 30, 2017, the Town’s total general obligation bonded debt increased by \$2,746,850, which represents the issuance of a new bond in the amount of \$3,571,850 for a public safety building and bond principal payments in the amount of \$825,000.

Overview of the Financial Statements

The following discussion and analysis are intended to serve as an introduction to the Town’s basic financial statements. The Town’s basic financial statements comprise three components: government-wide financial statements; fund financial statements; and notes to the financial statements. This report also contains other supplementary information in addition to the basic 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 Position presents information on all of the Town’s assets and liabilities, with the difference between the two 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 Town’s net position changed during the year ended June 30, 2017. 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 flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial 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 funds with similar 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 the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Expendable Trust Fund, and the Public Safety Building Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement, because the resources of those funds are not available to support the Town's own programs.

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 supplementary information. Schedules related to other post-employment benefits and pensions are in the Required Supplementary Information Section, which follows the notes. The combining statements, referred to above in connection with non-major governmental funds, and detailed General Fund schedules are presented immediately following this information.

Government-Wide Financial Analysis

As noted above, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$37,317,440 at June 30, 2017.

The largest portion of the Town's net position (85%) reflects its investment in capital assets (e.g., land, buildings and system, other improvements, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Town of Bow Net Position Governmental Activities

| | <u>June 30, 2017</u> | <u>June 30, 2016</u> |
|---|----------------------|----------------------|
| Current assets | \$ 28,438,282 | \$ 28,755,367 |
| Capital assets | <u>51,186,940</u> | <u>46,762,834</u> |
| Total assets | 79,625,222 | 75,518,201 |
| Deferred outflows of resources | 1,952,608 | 818,890 |
| | | |
| Long-term liabilities outstanding | 20,787,522 | 14,708,218 |
| Current liabilities | <u>19,596,938</u> | <u>13,666,522</u> |
| Total liabilities | 40,384,460 | 28,374,740 |
| Deferred inflows of resources | 3,875,930 | 4,460,994 |
| | | |
| Net position: | | |
| Invested in capital assets, net of related debt | 38,720,278 | 37,454,294 |
| Restricted | 270,639 | 267,003 |
| Unrestricted | <u>(1,673,477)</u> | <u>5,780,060</u> |
| Total net position | \$ 37,317,440 | \$ 43,501,357 |

A relatively small portion of the Town's net position represents resources that are subject to external restrictions on how they may be used.

As indicated by the schedule below, the Town's net position decreased by \$6,388,222 during the year ended June 30, 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Bow Changes in Net Position

| | <u>Year Ended June 30, 2017</u> | <u>Year Ended June 30, 2016</u> |
|---------------------------------------|-------------------------------------|-------------------------------------|
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 995,965 | \$ 992,050 |
| Operating grants and contributions | 41,688 | 18,207 |
| Capital grants and contributions | 218,342 | 236,293 |
| General revenues: | | |
| Property taxes and other taxes | 7,381,321 | 7,184,526 |
| Licenses and permits | 2,332,384 | 2,239,030 |
| Unrestricted grants and contributions | 410,984 | 368,661 |
| Miscellaneous | <u>424,726</u> | <u>226,646</u> |
| Total revenues | <u>10,499,415</u> | <u>10,018,863</u> |
| Expenses: | | |
| General government | 1,838,450 | 2,092,747 |
| Public safety | 3,278,932 | 3,167,477 |
| Highways and streets | 2,845,350 | 2,707,150 |
| Sanitation | 840,644 | 830,149 |
| Water distribution and treatment | 111,831 | 140,317 |
| Health and welfare | 14,426 | 15,563 |
| Culture and recreation | 1,043,930 | 948,335 |
| Conservation | 1,004 | 1,604 |
| Eversource settlement refund | 7,152,054 | - |
| Interest on long-term debt | 431,128 | 323,357 |
| Capital outlay | <u>595,883</u> | <u>292,883</u> |
| Total expenses | <u>18,153,632</u> | <u>10,532,638</u> |
| Change in net position | <u>(6,388,222)</u> | <u>732,775</u> |
| Net position – July 1 | <u>43,705,662</u> | <u>42,768,582</u> |
| Net position – June 30 | <u>\$37,317,440</u> | <u>\$43,501,357</u> |

Financial Analysis of the Town's Funds

As noted above, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2017, the Town's governmental funds reported combined fund balances of \$5,004,481, a decrease of \$7,020,801 in comparison to the prior year. This amount consists of: non-

MANAGEMENT'S DISCUSSION AND ANALYSIS

spendable fund balances of \$296,627 representing, tax deeded property for resale, prepaid expenditures and the non-spendable portion of permanent funds; restricted fund balances of \$84,729 representing the library fund and the expendable portion of permanent funds; committed fund balances of \$6,859,624 representing designations by Town Meeting votes for future expenditures and the special revenue and capital project funds; assigned fund balances of \$35,816 representing purchase orders or encumbrances authorized by the Board of Selectmen; and a General Fund unassigned fund balance of (\$2,272,315).

The General Fund is the chief operating fund of the Town. As of June 30, 2017, the unassigned fund balance of the General Fund was (\$2,272,315), while total fund balance amounted to (\$2,117,481).

During the year ended June 30, 2017, the unassigned fund balance of the General Fund decreased by \$5,226,724.

Budgetary Highlights

The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual demonstrates compliance with the adopted budget for the year ended June 30, 2017. Actual revenues and transfers in of the General Fund were over budgetary estimates by \$403,105, while expenditures and transfers out were \$6,628,284 over budget. This produced an unfavorable total variance of \$6,225,179.

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets as of June 30, 2017 amounted to \$37,454,294 (net of accumulated depreciation and related long-term debt). This investment in capital assets includes land, buildings, improvements, machinery, equipment, vehicles, and infrastructure and represents a decrease of \$440,678 compared to the investment in capital assets at July 1, 2016, which is primarily the result of depreciation.

Town of Bow Investment in Capital Assets

| | <u>June 30, 2017</u> | <u>June 30, 2016</u> |
|------------------------------------|----------------------|----------------------|
| Land | \$ 7,542,889 | \$ 7,542,889 |
| Buildings and improvements | 4,589,205 | 3,882,606 |
| Machinery, equipment, and vehicles | 7,082,799 | 6,752,707 |
| Infrastructure | 57,911,606 | 57,911,606 |
| Sewer lines | 1,703,756 | 1,703,756 |
| Construction in progress | <u>5,108,631</u> | <u>980,189</u> |
| Total investment in capital assets | 83,938,887 | 78,773,753 |
| Related long-term debt | (12,450,266) | (9,308,540) |
| Accumulated depreciation | <u>(32,751,947)</u> | <u>(31,806,614)</u> |
| Net investment in capital assets | \$ 38,736,674 | \$ 37,658,599 |

MANAGEMENT'S DISCUSSION AND ANALYSIS

Additional information on the Town's capital assets can be found in financial statements.

Long-term bonded debt. As of June 30, 2017, the Town had total long-term bonded debt outstanding of \$11,766,850. The entire amount is backed by the full faith and credit of the Town.

Town of Bow Long-Term Bonded Debt

| | <u>June 30, 2017</u> | <u>June 30, 2016</u> |
|-----------------------------------|----------------------|----------------------|
| 2007 land acquisition bonds | 345,000 | 405,000 |
| 2012 water and sewer system bonds | 6,530,000 | 7,185,000 |
| 2008 water and sewer system bonds | 1,320,000 | 1,430,000 |
| 2016 public safety bond | <u>3,571,850</u> | <u>0</u> |
| Total long-term debt | \$11,766,850 | \$ 9,020,000 |

There were no authorized but unissued bonds at June 30, 2017.

Economic Factors and Next Year's Budget and Tax Rate

Economic factors. The general outlook for Bow's economy seems to be uncertain. Based on New Hampshire Office of Energy & Planning estimates, Bow's population has increased by 3% since the 2010 census and by 8% since the 2000 census. The median household income in Bow has long been considerably greater than state and national averages. Furthermore, the unemployment rate for Bow has decreased from 2.4% to 2.2% during the past year, and still compares very favorably with state and national rates of 2.7% and 4.1%, respectively. More importantly, a modest increase in building permits and new vehicle registrations has been experienced, and some significant business expansions are presently being planned. Coupled with the efforts of the Bow Business Development Commission to attract new businesses and the recent completion of a water system in the business district, these changes suggest that the steady industrial and commercial growth, which Bow had enjoyed until just a few years ago and which is so important to increasing the tax base and to providing diverse employment opportunities, has begun to resume. Of course Bow's economy is influenced by national and state economic conditions which have been extremely tumultuous in recent years and show no signs of a quick recovery.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the following address.

Town of Bow
Selectmen's Office
10 Grandview Road
Bow, NH 03304

BASIC FINANCIAL STATEMENTS

EXHIBIT 1
TOWN OF BOW, NEW HAMPSHIRE
Statement of Net Position
June 30, 2017

| | Governmental Activities |
|--|----------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 20,977,286 |
| Investments | 4,747,497 |
| Intergovernmental receivable | 37,844 |
| Other receivables, net of allowance for uncollectibles | 2,611,845 |
| Prepaid items | 23,579 |
| Tax deeded property held for resale | 40,231 |
| Capital assets, not being depreciated: | |
| Land | 7,542,889 |
| Construction in progress | 5,108,631 |
| Capital assets, net of accumulated depreciation: | |
| Vehicles | 1,482,930 |
| Buildings and building improvements | 3,423,610 |
| Machinery and equipment | 684,700 |
| Sewer lines | 874,479 |
| Roads | 18,099,381 |
| Bridges | 553,525 |
| Water and sewer system | 12,886,344 |
| Other infrastructure | 530,451 |
| Total assets | <u>79,625,222</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred amounts related to pensions | <u>1,952,608</u> |
| LIABILITIES | |
| Accounts payable | 469,862 |
| Accrued payroll and benefits | 87,173 |
| Contract payable | 11,862 |
| Accrued interest payable | 170,273 |
| Intergovernmental payable | 11,534,525 |
| Performance and escrow deposits | 171,189 |
| Eversource settlement refund due | 7,152,054 |
| Noncurrent obligations: | |
| Due within one year: | |
| Bonds payable | 1,066,850 |
| Unamortized bond premiums | 54,306 |
| Capital leases payable | 4,500 |
| Accrued landfill postclosure care costs | 9,000 |
| Due in more than one year: | |
| Bonds payable | 10,700,000 |
| Unamortized bond premiums | 629,110 |
| Capital leases payable | 11,896 |
| Compensated absences payable | 277,674 |
| Other postemployment benefits payable | 1,026,973 |
| Accrued landfill postclosure care costs | 81,000 |
| Net pension liability | <u>6,926,213</u> |
| Total liabilities | <u>40,384,460</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred amounts related to pensions | 244,392 |
| Unearned revenue | <u>3,631,538</u> |
| Total deferred inflows of resources | <u>3,875,930</u> |
| NET POSITION | |
| Net investment in capital assets | 38,720,278 |
| Restricted for: | |
| Perpetual care: | |
| Nonexpendable | 209,680 |
| Expendable | 32,765 |
| Other purposes | 28,194 |
| Unrestricted | <u>(1,673,477)</u> |
| Total net position | <u>\$ 37,317,440</u> |

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

EXHIBIT 2
TOWN OF BOW, NEW HAMPSHIRE
Statement of Activities
For the Year Ended June 30, 2017

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|--|-----------------------------|--|--|---|
| | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| | Expenses | | | |
| Governmental activities: | | | | |
| General government | \$ 1,838,450 | \$ 19,706 | \$ 3,456 | \$ - |
| Public safety | 3,278,932 | 311,987 | 37,844 | - (2,929,101) |
| Highways and streets | 2,845,350 | 115,826 | - | 218,342 (2,511,182) |
| Sanitation | 840,644 | 244,410 | - | - (596,234) |
| Water distribution and treatment | 111,831 | 55,306 | - | - (56,525) |
| Health | 7,041 | - | - | - (7,041) |
| Welfare | 7,385 | - | - | - (7,385) |
| Culture and recreation | 1,043,930 | 208,730 | 388 | - (834,812) |
| Conservation | 1,004 | - | - | - (1,004) |
| Eversource settlement refund | 7,152,054 | - | - | - (7,152,054) |
| Interest on long-term debt | 431,128 | - | - | - (431,128) |
| Capital outlay | 595,883 | - | - | - (595,883) |
| Total governmental activities | <u><u>\$ 18,153,632</u></u> | <u><u>\$ 955,965</u></u> | <u><u>\$ 41,688</u></u> | <u><u>\$ 218,342</u></u> (16,937,637) |
| General revenues: | | | | |
| Property taxes | | | | 7,124,719 |
| Other taxes | | | | 256,602 |
| Licenses and permits | | | | 2,332,384 |
| Grants and contributions not restricted to specific programs | | | | 410,984 |
| Miscellaneous | | | | 424,726 |
| Total general revenues | | | | <u><u>10,549,415</u></u> |
| Change in net position | | | | <u><u>(6,388,222)</u></u> |
| Net position, beginning, as restated, see Note III.D.3. | | | | <u><u>43,705,662</u></u> |
| Net position, ending | | | | <u><u>\$ 37,317,440</u></u> |

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

EXHIBIT 3
TOWN OF BOW, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
June 30, 2017

| | General | Expendable Trust | Public Safety Building | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|---------------------|------------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 18,252,780 | \$ 932,258 | \$ 18,705 | \$ 1,773,543 | \$ 20,977,286 |
| Investments | - | 4,523,107 | - | 224,390 | 4,747,497 |
| Receivables, net of allowances for uncollectibles: | | | | | |
| Taxes | 2,437,771 | - | - | 7,900 | 2,445,671 |
| Accounts | 82,167 | - | 18,240 | 65,767 | 166,174 |
| Intergovernmental | 37,844 | - | - | - | 37,844 |
| Interfund receivable | 327,390 | - | - | 3,898 | 331,288 |
| Prepaid items | 23,579 | - | - | - | 23,579 |
| Tax deeded property held for resale | 40,231 | - | - | - | 40,231 |
| Total assets | <u>\$ 21,201,762</u> | <u>\$ 5,455,365</u> | <u>\$ 36,945</u> | <u>\$ 2,075,498</u> | <u>\$ 28,769,570</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 411,595 | \$ - | \$ 25,083 | \$ 33,184 | \$ 469,862 |
| Accrued salaries and benefits | 74,637 | - | - | 12,536 | 87,173 |
| Contracts payable | - | - | 11,862 | - | 11,862 |
| Intergovernmental payable | 11,534,525 | - | - | - | 11,534,525 |
| Interfund payable | - | 318,690 | - | 12,598 | 331,288 |
| Escrow and performance deposits | 171,189 | - | - | - | 171,189 |
| Eversource settlement refund due | 7,152,054 | - | - | - | 7,152,054 |
| Total liabilities | <u>19,344,000</u> | <u>318,690</u> | <u>36,945</u> | <u>58,318</u> | <u>19,757,953</u> |
| Deferred inflows of resources: | | | | | |
| Deferred revenue | <u>3,975,243</u> | <u>-</u> | <u>-</u> | <u>31,893</u> | <u>4,007,136</u> |
| Fund balances: | | | | | |
| Nonspendable | 63,810 | - | - | 232,817 | 296,627 |
| Restricted | - | - | - | 84,729 | 84,729 |
| Committed | 55,208 | 5,136,675 | - | 1,667,741 | 6,859,624 |
| Assigned | 35,816 | - | - | - | 35,816 |
| Unassigned | <u>(2,272,315)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(2,272,315)</u> |
| Total fund balances | <u>(2,117,481)</u> | <u>5,136,675</u> | <u>-</u> | <u>1,985,287</u> | <u>5,004,481</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 21,201,762</u> | <u>\$ 5,455,365</u> | <u>\$ 36,945</u> | <u>\$ 2,075,498</u> | <u>\$ 28,769,570</u> |

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

EXHIBIT 4
TOWN OF BOW, NEW HAMPSHIRE
Reconciliation of Total Fund Balances of Governmental Funds to the Statement of Net Position
June 30, 2017

| | |
|--|-----------------------------|
| Total fund balances of governmental funds (Exhibit 3) | \$ 5,004,481 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | |
| Cost | \$ 83,938,887 |
| Less accumulated depreciation | <u>(32,751,947)</u> |
| | 51,186,940 |
| Interfund receivables and payables between governmental funds are eliminated on the statement of net position. | |
| Receivables | \$ (331,288) |
| Payables | <u>331,288</u> |
| | - |
| Revenues that are not available to pay for current period expenditures are deferred in the funds. | |
| Unavailable tax revenue | \$ 363,554 |
| Unavailable ambulance revenue | 7,681 |
| Unavailable property sale proceeds | <u>4,363</u> |
| | 375,598 |
| Interest on long-term debt is not accrued in governmental funds. | |
| Accrued interest payable | (170,273) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | |
| Bonds outstanding | \$ 11,766,850 |
| Unamortized bond premium | 683,416 |
| Capital leases outstanding | 16,396 |
| Compensated absences payable | 277,674 |
| Other postemployment benefits payable | 1,026,973 |
| Accrued landfill postclosure care costs | 90,000 |
| Net pension liability | <u>6,926,213</u> |
| | (20,787,522) |
| Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds. | |
| Deferred outflows of resources related to pensions | \$ 1,952,608 |
| Deferred inflows of resources related to pensions | <u>(244,392)</u> |
| | 1,708,216 |
| Total net position of governmental activities (Exhibit 1) | <u>\$ 37,317,440</u> |

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

EXHIBIT 5
TOWN OF BOW, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

| | General | Expendable Trust | Public Safety Building | Other Governmental Funds | Total Governmental Funds |
|--|-----------------------|---------------------|------------------------------|--------------------------------|--------------------------------|
| Revenues: | | | | | |
| Taxes | \$ 7,231,051 | \$ - | \$ - | \$ 125,650 | \$ 7,356,701 |
| Licenses, permits and fees | 2,332,384 | - | - | - | 2,332,384 |
| Intergovernmental | 667,170 | - | - | - | 667,170 |
| Charges for services | 531,317 | - | - | 441,201 | 972,518 |
| Miscellaneous | 137,398 | (27,651) | 33,748 | 295,436 | 438,931 |
| Total revenues | 10,899,320 | (27,651) | 33,748 | 862,287 | 11,767,704 |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 1,664,166 | - | - | - | 1,664,166 |
| Public safety | 2,848,416 | - | - | 65,667 | 2,914,083 |
| Highways and streets | 1,776,939 | - | - | - | 1,776,939 |
| Sanitation | 647,213 | - | - | 145,570 | 792,783 |
| Water distribution and treatment | - | - | - | 111,831 | 111,831 |
| Health | 7,041 | - | - | - | 7,041 |
| Welfare | 4,666 | - | - | 2,719 | 7,385 |
| Culture and recreation | 801,496 | - | - | 193,992 | 995,488 |
| Eversource settlement refund | 7,152,054 | - | - | - | 7,152,054 |
| Debt service: | | | | | |
| Principal | 825,000 | - | - | - | 825,000 |
| Interest | 416,302 | - | - | - | 416,302 |
| Capital outlay | 1,390,808 | - | 4,122,886 | 603,693 | 6,117,387 |
| Total expenditures | 17,534,101 | - | 4,122,886 | 1,124,476 | 22,781,463 |
| Excess (deficiency) of revenues over (under) expenditures | (6,634,781) | (27,651) | (4,089,138) | (262,189) | (11,013,759) |
| Other financing sources (uses): | | | | | |
| Transfers in | 766,484 | 460,000 | 96,180 | 471,530 | 1,794,194 |
| Transfers out | (695,292) | (1,019,441) | - | (79,461) | (1,794,194) |
| Long-term debt issued | - | - | 3,571,850 | - | 3,571,850 |
| Total other financing sources and uses | 71,192 | (559,441) | 4,089,138 | 392,069 | 3,992,958 |
| Net change in fund balances | (6,563,589) | (587,092) | - | 129,880 | (7,020,801) |
| Fund balances, beginning | 4,446,108 | 5,723,767 | - | 1,855,407 | 12,025,282 |
| Fund balances, ending | \$ (2,117,481) | \$ 5,136,675 | \$ - | \$ 1,985,287 | \$ 5,004,481 |

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

EXHIBIT 6
TOWN OF BOW, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

| | |
|---|------------------------------|
| Net change in fund balances of governmental funds (Exhibit 5) | \$ (7,020,801) |
| 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 | \$ 5,636,087 |
| Depreciation expense | <u>(1,393,325)</u> |
| | 4,242,762 |
| The net effect of the disposal of capital assets decreases net position. | |
| | (22,961) |
| Transfers in and out between governmental funds are eliminated on the operating statement. | |
| Transfers in | \$ (1,794,194) |
| Transfers out | <u>1,794,194</u> |
| | - |
| Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in governmental funds. | |
| Change in unavailable tax revenue | \$ 24,620 |
| Change in unavailable ambulance revenue | <u>(16,553)</u> |
| Change in unavailable land purchase revenue | <u>(14,361)</u> |
| | (6,294) |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. | |
| Issuance of bonds | \$ (3,571,850) |
| Premium on bonds issued | <u>(421,108)</u> |
| Inception of capital lease | <u>(16,396)</u> |
| Repayment of bond principal | 825,000 |
| Amortization of bond premium | <u>26,232</u> |
| | (3,158,122) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | |
| Increase in accrued interest expense | \$ (41,058) |
| Increase in compensated absences payable | <u>(1,111)</u> |
| Increase in other postemployment benefits payable | <u>(128,709)</u> |
| | (170,878) |
| Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employee contributions, is reported as pension expense. | |
| Town pension contributions | \$ 523,683 |
| Cost of benefits earned, net of employee contributions | <u>(775,611)</u> |
| | (251,928) |
| Change in net position of governmental activities (Exhibit 2) | <u><u>\$ (6,388,222)</u></u> |

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

EXHIBIT 7
TOWN OF BOW, NEW HAMPSHIRE
General Fund
Statement of Revenues, Expenditures and Changes in Unassigned Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Year Ended June 30, 2017

| | Original and Final Budget | Actual | Variance Positive (Negative) |
|---|------------------------------------|-----------------------|------------------------------------|
| REVENUES | | | |
| Taxes | \$ 6,984,933 | \$ 7,205,671 | \$ 220,738 |
| Licenses, permits and fees | 2,183,110 | 2,332,384 | 149,274 |
| Intergovernmental | 661,455 | 667,170 | 5,715 |
| Charges for services | 633,337 | 531,317 | (102,020) |
| Miscellaneous | 8,000 | 137,398 | 129,398 |
| Total revenues | <u>10,470,835</u> | <u>10,873,940</u> | <u>403,105</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 1,902,064 | 1,693,132 | 208,932 |
| Public safety | 3,049,969 | 2,851,336 | 198,633 |
| Highways and streets | 1,818,174 | 1,728,754 | 89,420 |
| Sanitation | 718,050 | 641,605 | 76,445 |
| Health | 6,995 | 7,041 | (46) |
| Welfare | 11,911 | 4,666 | 7,245 |
| Culture and recreation | 813,299 | 797,931 | 15,368 |
| Eversource settlement refund | - | 7,152,054 | (7,152,054) |
| Debt service: | | | |
| Principal | 825,000 | 825,000 | - |
| Interest on long-term debt | 403,238 | 416,302 | (13,064) |
| Interest on tax anticipation note | 1 | - | 1 |
| Capital outlay | <u>1,033,207</u> | <u>1,092,371</u> | <u>(59,164)</u> |
| Total expenditures | <u>10,581,908</u> | <u>17,210,192</u> | <u>(6,628,284)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(111,073)</u> | <u>(6,336,252)</u> | <u>(6,225,179)</u> |
| Other financing sources (uses): | | | |
| Transfers in | 635,707 | 766,484 | 130,777 |
| Transfers out | (824,634) | (695,292) | 129,342 |
| Total other financing sources and uses | <u>(188,927)</u> | <u>71,192</u> | <u>260,119</u> |
| Net change in fund balance | <u>\$ (300,000)</u> | <u>(6,265,060)</u> | <u>\$ (5,965,060)</u> |
| Decrease in nonspendable fund balance | | 12,956 | |
| Decrease in assigned fund balance | | 1,000,000 | |
| Unassigned fund balance, beginning | | 3,293,343 | |
| Unassigned fund balance, ending | | <u>\$ (1,958,761)</u> | |

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

EXHIBIT 8
TOWN OF BOW, NEW HAMPSHIRE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

| | <u>Agency</u> |
|---------------------------|------------------|
| Assets: | |
| Cash and cash equivalents | \$ 275,934 |
| Investments | <u>1,338,773</u> |
| Total assets | <u>1,614,707</u> |
| Liabilities: | |
| School District funds | <u>1,614,707</u> |
| Net position: | <u>\$ -</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

I. Summary of Significant Accounting Principles

I.A. Introduction

The accounting and reporting framework and the more significant accounting principles and practices of the Town of Bow (the Town) are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the Town's financial activities for the fiscal year ended June 30, 2017.

I.B. Financial Reporting Entity – Basis of Presentation

I.B.1. *Entity Defined*

The Town of Bow is a municipal corporation governed by a board of selectmen consisting of five members elected by the voters. These financial statements present the financial position and activity of the primary government. Component units are organizations for which the primary government is financially accountable, or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete. Based on the stated criteria, the Town's financial statements do not include any component units.

I.B.2. *Government-Wide and Fund Financial Statements*

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Town as a whole, excluding fiduciary activities. Individual funds are not displayed.

The statement of activities reports the direct expenses of a given function offset by program revenues directly connected with the functional program. Direct expenses are those that are clearly identifiable with a specific function. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges for the Town's services; (2) operating grants and contributions, which finance annual operating activities including restricted investment income; and (3) capital grants and contributions, which finance the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and revenue from other sources not properly included with program revenues are reported as general revenues.

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The major individual, governmental funds are reported in separate columns in the basic fund financial statements with composite columns for nonmajor funds.

I.B.3. *Measurement Focus, Basis of Accounting and Financial Statement Presentation*

The financial statements of the Town are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Fiduciary fund financial statements also report using this same basis of accounting, although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property tax revenues are recognized in the year for which they are levied, while grants are recognized when grantor eligibility requirements are met.

The agency funds are custodial in nature and do not measure results of operations.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within sixty days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest, which are reported as expenditures in the year due.

Major revenues susceptible to accrual are property taxes, intergovernmental amounts and investment income. In general, other revenues are recognized when cash is received.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities in the financial statements.

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

I.B.4. Fund Types and Major Funds

Governmental Funds

The Town reports the following major governmental funds:

General Fund – Reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

Expendable Trust Fund – Reports as a Capital Project Fund and is used to report those accounts established by Town Meeting and held by the Trustees of Trust Funds for expenditures of subsequent years, primarily of a capital nature.

Public Safety Building Fund – Reports as a Capital Project Fund and is used to report all of the balances and financial activity associated with the construction of the Public Safety Building.

The Town also reports thirteen nonmajor governmental funds.

Fiduciary Funds

The Town reports the following fiduciary funds:

Agency Funds – Account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. The Town's agency funds are used to account for the various capital reserve and scholarship accounts held by the Trustees of Trust Funds on behalf of the local school district.

I.C. Assets, Liabilities, and Net Position or Fund Equity

I.C.1. Cash and Investments

The laws of the State of New Hampshire require that the Town's treasurer have custody of all monies belonging to the Town, other than those held by the trustees of trust funds and library trustees, and pay out the same only upon orders of the Board of Selectmen. The treasurer shall deposit all monies in participation units in the public deposit investment pool established pursuant to N.H. RSA 383:22 or in solvent banks in the state. Funds may be deposited in banks outside the state if such banks pledge or 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.

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

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

New Hampshire law authorizes the Town to invest in obligations of the United States government; the public deposit investment pool established pursuant to RSA 383:22; savings bank deposits; prime bankers' acceptances; or 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 monies 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.

I.C.2. Capital Assets and Depreciation

Generally, the Town's property, plant and equipment with useful lives of more than two years are stated at historical cost and reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Town generally capitalizes assets with cost of \$5,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follow:

| | <u>Years</u> |
|-------------------------------------|--------------|
| Vehicles | 2-25 |
| Buildings and building improvements | 10-200 |
| Machinery and equipment | 5-25 |
| Sewer lines | 50 |
| Roads | 50 |
| Bridges | 50 |
| Water and sewer system | 50 |
| Other infrastructure | 10-50 |

I.C.3. Long-Term Debt

In the government-wide financial statements, outstanding debt is reported as liabilities. The balance of long-term debt is not reported in the governmental funds.

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

I.C.4. *Equity*

The government-wide statement of net position reports net position in the following components:

- Net investment in capital assets, which is computed as the total capital assets less accumulated depreciation, net of outstanding debt used to acquire those assets.
- Restricted for perpetual care, which consists of the balance of the permanent funds that is allowed to be used only for cemetery care. This balance is segregated between nonexpendable, representing the principal balance that must be invested to generate income and cannot be expended, and expendable, representing income earned that can be used for cemetery care.
- Restricted for other purposes, which consists of the rest of the permanent funds that is to be used for library and other purposes.
- Unrestricted, which consists of the remaining balance of net position.

The governmental funds report the following components of fund balance:

- Nonspendable, representing the principal balance of the permanent funds that cannot be spent, and prepaid items and tax deeded property held for resale which are not in a spendable form.
- Restricted, representing the income portion of the permanent funds and the entire balance of the library fund that can only be used for specific purposes per terms of endowments or State law.
- Committed, representing the unspent balances of special warrant articles, and the balances of capital projects funds (including the expendable trust fund), and special revenue funds.
- Assigned, representing amounts encumbered by purchase order or action of the Board of Selectmen.
- Unassigned, representing the remaining balance of the General Fund.

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

I.C.5. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. Stewardship, Compliance and Accountability

II.A. Budgetary Information

An annual budget was adopted on a basis consistent with generally accepted accounting principles for the General Fund, as well as some of the nonmajor funds. Unless non-lapsing or encumbered, all governmental fund appropriations lapse at year-end. The Town is allowed to use beginning fund balance to balance the budget. In fiscal year 2017, none of the balance from 2016 was so used, but \$300,000 was appropriated from fund balance.

Encumbrance accounting is employed by the governmental funds. Encumbrances (e.g., purchase orders, contracts, balances of special warrant articles) outstanding at year-end are reported as commitments or assignments of fund balances and do not constitute expenditures or liabilities because they will be added to the appropriations voted in the subsequent year.

Revenues are budgeted by source. Expenditures in the General Fund are budgeted by functions as follow: general government, public safety, highways and streets, sanitation, health, welfare, culture and recreation, economic development, debt service and capital outlay. Management can transfer appropriations among budget line items as necessary, but the total expenditures cannot legally exceed the total appropriations unless permission is received from the Commissioner of Revenue Administration.

II.B. Reconciliation of General Fund Budgetary Basis to GAAP

| | |
|--|-----------------------------|
| Revenues and other financing sources: | |
| Per Exhibit 7 (budgetary basis) | \$ 11,640,424 |
| Adjustments: | |
| Basis difference: | |
| Tax revenue deferred in the prior year | 338,934 |
| Tax revenue deferred in the current year | (313,554) |
| Per Exhibit 5 (GAAP basis) | <u><u>\$ 11,665,804</u></u> |

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| | |
|--|-----------------------|
| Expenditures and other financing uses: | |
| Per Exhibit 7 (budgetary basis) | \$ 17,905,484 |
| Adjustments: | |
| Basis difference: | |
| Encumbrances, beginning | 414,933 |
| Encumbrances, ending | (91,024) |
| Per Exhibit 5 (GAAP basis) | <u>\$ 18,229,393</u> |
| Unassigned fund balance: | |
| Per Exhibit 7 (budgetary basis) | \$ (1,958,761) |
| Adjustment: | |
| Basis difference: | |
| Unavailable tax revenue, GAAP basis | (313,554) |
| Per Exhibit 3 (GAAP basis) | <u>\$ (2,272,315)</u> |

The Expendable Trust Fund is not formally budgeted, and a project length budget was adopted for the Public Safety Building Fund.

II.C. Deficit Equity

The General Fund has ended the year with an unassigned deficit of \$2,272,315 (GAAP basis). The deficit arises because of the court decision on the appeal by Eversource of their tax assessment for the years 2012 and 2013, which resulted in a liability as of June 30, 2017, of \$7,152,054 due to be refunded to Eversource. This amount includes interest through June 30, 2017. (See Note IV.D. for further discussion on this matter.) The Town expects to cover the deficit through additional tax revenue.

For the same reasons, the Governmental Activities report an unrestricted deficit net position of \$1,673,477.

III. Detailed Notes on Funds and Government-Wide Statements

III.A. Assets

III.A.1. *Cash and Equivalents*

The Town reported total cash and equivalents in all funds of \$21,253,220, which represented bank balances of \$20,813,861, of which \$1,004,441, consisting of money market funds, was uninsured and uncollateralized. These funds are invested in U.S. government securities.

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

III.A.2. Investments

As of June 30, 2017, the Town had the following investments:

| | |
|----------------------------|---------------------------|
| U.S Government Agencies | \$ 2,503,102 |
| U.S. Treasury Notes | 552,559 |
| Mutual Funds | 283,670 |
| Corporate Bonds | 2,683,060 |
| Mortgage Backed Securities | 63,879 |
| | <hr/> <u>\$ 6,086,270</u> |

The investments appear in the financial statements as follow:

| | |
|---|---------------------------|
| Governmental funds - balance sheet (Exhibit 3) | \$ 4,747,497 |
| Fiduciary funds - statement of fiduciary net position (Exhibit 7) | 1,338,773 |
| Total | <hr/> <u>\$ 6,086,270</u> |

Investment Policies

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. It is the Town's policy to limit its investments to fixed income securities from issuers having a Baa3 or BBB or better long-term debt rating from one or more of the primary rating agencies, and other equity investments to companies that have a proven record of earnings, growth, strong fundamentals and good valuations. The Town's investments meet these restrictions.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Town's investment policy limits average maturities to no more than seven years with a maximum maturity of fifteen years.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town's investment policy limits any one issue of fixed income securities to 10% and equity investments to 5% of the respective portion of the portfolio. There are no investments held that exceed these thresholds.

III.A.3. Receivables, Uncollectible Accounts and Deferred Revenue

Property Taxes Receivable and Property Tax Calendar

Property taxes are levied and collected by the Town on a semi-annual basis. Tax bills are due on or around July 1 and December 1, with interest of 12% per annum on all taxes not received by the due date. The first billing is an estimate only based on half of the previous year's billing. The final billing is levied based on an inventory taken in April of each year (the tax year runs

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

from April 1 to March 31), and is assessed after the tax rate has been calculated and set by the New Hampshire Department of Revenue Administration. A lien should be executed on any unpaid property taxes in the following year and this lien takes priority over any others. Interest of 18% per annum is charged upon redemption of liened taxes. Properties not redeemed within two years of the date of the tax lien should be deeded to the Town. During the current year, the tax collector executed a tax lien for uncollected 2016 property taxes on May 19.

The property taxes levied and collected by the Town include amounts for the State of New Hampshire, the Bow School District and Merrimack County. The Town is responsible for the collection of all these taxes. During the annual tax rate setting process, the Town sets an amount for potential abatements and tax deedings, known as overlay. Overlay is raised through taxation and is reported as a reduction in tax revenue.

The net assessed valuation as of April 1, 2016, upon which the 2016 property tax levy was based was:

| | |
|-------------------------------------|-----------------|
| For the New Hampshire education tax | \$ 984,271,506 |
| For all other taxes | \$1,166,052,306 |

The tax rates and amounts assessed for the year ended June 30, 2017 were as follow:

| | Per \$1,000 of Assessed Valuation | |
|-------------------------------|--------------------------------------|-----------------------------|
| Municipal portion | \$6.27 | \$ 7,306,749 |
| School portion: | | |
| State of New Hampshire | \$2.22 | 2,187,298 |
| Local | \$14.27 | 17,461,017 |
| County portion | \$2.83 | 3,296,898 |
| Total property taxes assessed | | <u><u>\$ 30,251,962</u></u> |

The following details the taxes receivable at year-end:

| | |
|---|----------------------------|
| Property: | |
| Levy of 2017 | \$ 2,095,237 |
| Unredeemed (under tax lien): | |
| Levy of 2016 | 237,004 |
| Levy of 2015 | 155,530 |
| Land use change | 7,900 |
| Less: allowance for estimated uncollectible taxes | (50,000) |
| Net taxes receivable | <u><u>\$ 2,445,671</u></u> |

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Other Receivables and Uncollectible/Unavailable Accounts

Other receivables include amounts due for sewer, ambulance, water, police, landfill, and land sales. The accounts receivable are reported net of any allowance for uncollectible accounts. The allowance consists of an amount for potential adjustments to ambulance receivables.

Related amounts are as follow:

| | |
|---|--------------------------|
| Accounts | \$ 319,423 |
| Intergovernmental | 37,844 |
| Less: allowance for uncollectible amounts | <u>(153,249)</u> |
| Net total receivables | <u><u>\$ 204,018</u></u> |

Deferred revenue in the governmental funds consists of \$313,554 of taxes, \$7,681 of ambulance charges, and \$4,363 of installment payments on land purchases that were not received within sixty days of year-end; and \$3,610,296 of property taxes committed for the fiscal year 2018, \$35,984 of summer recreation fees collected in advance, \$33,575 of tax overpayments to be applied to the next billing, \$233 of sewer overpayments, and \$1,450 of fall preschool tuition collected in advance. In the governmental activities, the amounts that were not received within the sixty days are not considered to be deferred, and the other amounts are reported as unearned.

The notes continue on the following page.

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

III.A.4. Capital Assets

Changes in Capital Assets

The following provides a summary of changes in capital assets:

| | <u>Balance, beginning</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance, ending</u> |
|--|-------------------------------|---------------------|---------------------|----------------------------|
| Governmental activities: | | | | |
| At cost: | | | | |
| Not being depreciated: | | | | |
| Land | \$ 7,542,889 | \$ - | \$ - | \$ 7,542,889 |
| Construction in progress | 980,189 | 4,332,747 | (204,305) | 5,108,631 |
| Total capital assets not being depreciated | <u>8,523,078</u> | <u>4,332,747</u> | <u>(204,305)</u> | <u>12,651,520</u> |
| Being depreciated: | | | | |
| Vehicles | 3,742,092 | 523,803 | (51,481) | 4,214,414 |
| Buildings and building improvements | 3,882,606 | 728,239 | (21,640) | 4,589,205 |
| Machinery and equipment | 3,010,615 | 255,602 | (397,832) | 2,868,385 |
| Sewer lines | 1,703,756 | - | - | 1,703,756 |
| Roads | 42,515,643 | 1 | - | 42,515,644 |
| Bridges | 1,052,895 | - | - | 1,052,895 |
| Water and sewer system | 13,740,462 | - | - | 13,740,462 |
| Other infrastructure | 602,606 | - | - | 602,606 |
| Total capital assets being depreciated | <u>70,250,675</u> | <u>1,507,645</u> | <u>(470,953)</u> | <u>71,287,367</u> |
| Total all capital assets | <u>78,773,753</u> | <u>5,840,392</u> | <u>(675,258)</u> | <u>83,938,887</u> |
| Less accumulated depreciation: | | | | |
| Vehicles | (2,521,945) | (277,126) | 67,587 | (2,731,484) |
| Buildings and building improvements | (1,105,353) | (60,242) | - | (1,165,595) |
| Machinery and equipment | (2,435,687) | (128,403) | 380,405 | (2,183,685) |
| Sewer lines | (795,202) | (34,075) | - | (829,277) |
| Roads | (23,562,215) | (854,048) | - | (24,416,263) |
| Bridges | (482,488) | (16,882) | - | (499,370) |
| Water and sewer system | (844,221) | (9,897) | - | (854,118) |
| Other infrastructure | (59,503) | (12,652) | - | (72,155) |
| Total accumulated depreciation | <u>(31,806,614)</u> | <u>(1,393,325)</u> | <u>447,992</u> | <u>(32,751,947)</u> |
| Net book value, capital assets being depreciated | <u>38,444,061</u> | <u>114,320</u> | <u>(22,961)</u> | <u>38,535,420</u> |
| Net book value, all capital assets | <u>\$ 46,967,139</u> | <u>\$ 4,447,067</u> | <u>\$ (227,266)</u> | <u>\$ 51,186,940</u> |

Depreciation expense was charged to functions of the Town as follows:

| | |
|---------------------------------|---------------------|
| Governmental activities: | |
| General government | \$ 20,917 |
| Public safety | 236,327 |
| Highways and streets | 1,051,786 |
| Sanitation | 47,861 |
| Culture and recreation | 36,434 |
| Total depreciation expense | <u>\$ 1,393,325</u> |

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

III.B. Liabilities

III.B.1. *Intergovernmental Payable*

The amounts due to other governments at June 30, 2017 consist of \$6,915 of miscellaneous fees due to the State of New Hampshire, and the portions of the June property tax commitment due to the School District (\$9,898,083) and Merrimack County (\$1,629,527).

III.B.2. *Long-Term Liabilities*

General obligation bonds are approved by the voters and repaid with general revenues (property taxes). These liabilities are backed by the full faith and credit of the Town. Long-term liabilities also include capital leases, compensated absences, the OPEB liability, accrued landfill postclosure care costs, and the net pension liability.

State and federal laws and regulations require that the Town continue to perform certain monitoring and maintenance functions at the landfill site for at least ten more years. The amount recorded as the postclosure care liability represents the estimate of what it will cost for these monitoring and maintenance costs over the next ten years. The actual cost of postclosure care could be higher or lower.

Long-term liabilities currently outstanding are as follow:

| | Original Amount | Issue Date | Maturity Date | Interest Rate % | Outstanding at 6/30/2017 | Current Portion |
|---|--------------------|---------------|------------------|--------------------|--------------------------------|--------------------|
| General obligation bonds payable: | | | | | | |
| Land purchase | \$880,600 | 2007 | 2023 | 4.00-5.00 | \$ 345,000 | \$ 60,000 |
| Water/sewer system | \$2,212,020 | 2008 | 2029 | 4.00-5.25 | 1,320,000 | 110,000 |
| Water/sewer project | \$9,805,300 | 2011 | 2027 | 2.00-4.00 | 6,530,000 | 655,000 |
| Public safety bond | \$3,571,850 | 2017 | 2032 | 2.02-5.02 | 3,571,850 | 241,850 |
| | | | | | 11,766,850 | 1,066,850 |
| Unamortized bond premiums | | | | | 683,416 | 54,306 |
| Capital lease payable: | | | | | | |
| Gym equipment | | | | | 16,396 | 4,500 |
| Compensated absences payable: | | | | | | |
| Vested sick leave | | | | | 60,606 | - |
| Accrued vacation leave | | | | | 202,124 | - |
| Compensatory time | | | | | 14,944 | - |
| | | | | | 277,674 | - |
| Other postemployment benefits payable | | | | | 1,026,973 | - |
| Accrued landfill postclosure care costs | | | | | 90,000 | 9,000 |
| Net pension liability | | | | | 6,926,213 | - |
| | | | | | \$ 20,787,522 | \$ 1,125,656 |

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The following is a summary of changes in the long-term liabilities for the year ended June 30, 2017:

| | General Obligation Bonds Payable | Unamortized Bond Premium | Capital Lease Payable | Compensated Absences Payable | OPEB Liability | Accrued Landfill Postclosure Care Costs | Net Pension Liability | Total |
|--------------------|---|--------------------------------|-----------------------------|------------------------------------|---------------------|--|-----------------------------|----------------------|
| Balance, beginning | \$ 9,020,000 | \$ 288,540 | \$ - | \$ 276,563 | \$ 898,264 | \$ 90,000 | \$ 5,012,730 | \$ 15,586,097 |
| Additions | 3,571,850 | 421,108 | 16,396 | 1,111 | 128,709 | - | 1,913,483 | 6,052,657 |
| Reductions | (825,000) | (26,232) | - | - | - | - | - | (851,232) |
| Balance, ending | <u>\$ 11,766,850</u> | <u>\$ 683,416</u> | <u>\$ 16,396</u> | <u>\$ 277,674</u> | <u>\$ 1,026,973</u> | <u>\$ 90,000</u> | <u>\$ 6,926,213</u> | <u>\$ 20,787,522</u> |

Debt Service Requirements to Maturity

The annual debt service requirements to maturity for the bonds as of year-end are as follow:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|----------------------|---------------------|----------------------|
| 2018 | \$ 1,066,850 | \$ 436,198 | \$ 1,503,048 |
| 2019 | 1,065,000 | 392,407 | 1,457,407 |
| 2020 | 1,065,000 | 345,889 | 1,410,889 |
| 2021 | 1,060,000 | 304,104 | 1,364,104 |
| 2022 | 1,060,000 | 266,407 | 1,326,407 |
| 2023-2027 | 5,055,000 | 702,468 | 5,757,468 |
| 2028-2032 | 1,395,000 | 99,572 | 1,494,572 |
| Totals | <u>\$ 11,766,850</u> | <u>\$ 2,547,045</u> | <u>\$ 14,313,895</u> |

The annual debt service requirements to maturity for the capital lease are as follow:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|------------------|-----------------|------------------|
| 2018 | \$ 4,500 | \$ 91 | \$ 4,591 |
| 2019 | 3,675 | 916 | 4,591 |
| 2020 | 3,958 | 633 | 4,591 |
| 2021 | 4,263 | 328 | 4,591 |
| Totals | <u>\$ 16,396</u> | <u>\$ 1,968</u> | <u>\$ 18,364</u> |

III.C. Balances and Transfers – Payments Within the Reporting Entity

III.C.1. Receivables and Payables

Generally, outstanding balances between funds reported as “interfund receivables/payables” include outstanding charges by one fund to another for goods or services, subsidy commitments outstanding at year-end, or other miscellaneous amounts. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is also reported as “interfund receivables/payables.”

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The following shows the interfund balances at June 30, 2017:

| Receivable Fund | Payable Fund | Amount |
|-----------------|------------------|--------------------------|
| General | Expendable trust | \$ 318,690 |
| General | Nonmajor | 8,700 |
| Nonmajor | Nonmajor | 3,898 |
| | | <u><u>\$ 331,288</u></u> |

The amount due to the General Fund from the Expendable Trust Fund represents reimbursement for expenditures approved by Town Meeting. The amount due to the General Fund from the Nonmajor Funds represents an amount from the Water Fund to reimburse for expenditures, and the amount due to the Nonmajor Funds from other Nonmajor Funds represents income earned on Library Trust Funds due to the Library Fund.

III.C.2. Transfers

Transfers within the reporting entity are substantially for the purposes of distributing taxes to the fund for which the appropriation was made, funding capital projects, and making additions to and using capital reserve accounts. The government-wide statement of activities eliminates transfers reported within the activities columns.

The following shows the transfers within the reporting entity:

| | Transfers In: | | | | |
|-----------------------|--------------------------|-----------------------------|--------------------------------------|--------------------------|----------------------------|
| | General Fund | Expendable Trust Fund | Public Safety Building Fund | | |
| | | | Nonmajor Funds | Total | |
| Transfers out: | | | | | |
| General fund | \$ - | \$ 460,000 | \$ 90,280 | \$ 145,012 | \$ 695,292 |
| Expendable trust fund | 687,329 | - | 5,900 | 326,212 | 1,019,441 |
| Nonmajor funds | 79,155 | - | - | 306 | 79,461 |
| | <u><u>\$ 766,484</u></u> | <u><u>\$ 460,000</u></u> | <u><u>\$ 96,180</u></u> | <u><u>\$ 471,530</u></u> | <u><u>\$ 1,794,194</u></u> |

The transfers from the General Fund represent \$460,000 to the Expendable Trust Fund as voted by Town Meeting, \$90,280 to the Public Safety Building Fund to cover expenditures made, and \$145,012 to the Nonmajor Water Fund to cover operating expenditures. The transfers from the Expendable Trust Fund represent amounts appropriated. The amounts transferred from the Nonmajor Funds represent \$79,155 from the Conservation Commission Fund to the General Fund toward the bond payment on the land purchase bond, and \$306 of investment earnings in the Permanent Fund transferred to the Library Fund.

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

III.D. Net Position and Fund Balances

III.D.1. *Restricted Net Position*

The government-wide statement of net position includes restricted net position of \$242,445 for perpetual care and \$28,194 for other purposes representing public trust funds reported as restricted to reflect purpose restrictions contained in trust indentures.

III.D.2. *Components of Fund Balances*

Fund balance is categorized in the following components as described in Note I.C.4.:

| | General Fund | Expendable Trust Fund | Nonmajor Funds |
|----------------------------------|------------------------------|-----------------------------|----------------------------|
| Nonspendable: | | | |
| Tax deeded property | \$ 40,231 | \$ - | \$ - |
| Prepaid items | 23,579 | - | - |
| Endowments | - | - | 232,817 |
| Total nonspendable | <u>63,810</u> | <u>-</u> | <u>232,817</u> |
| Restricted: | | | |
| General government | - | - | 32,765 |
| Public safety | - | - | 1,854 |
| Culture and recreation | - | - | 50,110 |
| Total restricted | <u>-</u> | <u>-</u> | <u>84,729</u> |
| Committed: | | | |
| Sanitation | - | - | 1,033,948 |
| Water distribution and treatment | - | - | 6,718 |
| Welfare | - | - | 30,642 |
| Culture and recreation | - | - | 66,566 |
| Conservation | - | - | 337,069 |
| Capital outlay | 55,208 | 5,136,675 | 192,798 |
| Total committed | <u>55,208</u> | <u>5,136,675</u> | <u>1,667,741</u> |
| Assigned: | | | |
| General government | 28,966 | - | - |
| Public safety | 2,920 | - | - |
| Culture and recreation | 3,930 | - | - |
| Total assigned | <u>35,816</u> | <u>-</u> | <u>-</u> |
| Unassigned | <u>(2,272,315)</u> | <u>-</u> | <u>-</u> |
| Total fund balance | <u><u>\$ (2,117,481)</u></u> | <u><u>\$ 5,136,675</u></u> | <u><u>\$ 1,985,287</u></u> |

TOWN OF BOW, NEW HAMPSHIRE
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AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

III.D.3. Restatement of Beginning Net Position of the Governmental Activities

The net position of the Governmental Activities at the beginning of the year was restated as follows:

| | |
|--------------------------------------|-----------------------------|
| To correct balance of capital assets | \$ 204,305 |
| Net position, as previously reported | <u>43,501,357</u> |
| Net position, as restated | <u><u>\$ 43,705,662</u></u> |

IV. Other Information

IV.A. Risk Management

The Town's risk management activities are reported with governmental activities and recorded in the General Fund. During the fiscal year, the Town was a member of the NH Public Risk Management Exchange (Primex), which is considered a public entity risk pool, currently operating as a common risk management and insurance program for member governmental entities.

Primex's Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSA 5-B and RSA 281-A. Coverage was provided for the fiscal year for property/liability, and for the calendar year for workers' compensation. Contributions billed and paid in fiscal year 2017 to be recorded as an insurance expenditure/expense totaled \$72,996 for property/liability and \$88,750 for workers' compensation. Because the Town has paid for the workers' compensation for the calendar year 2017, there is a prepaid amount of \$22,190 that is applicable to the first half of fiscal year 2018, and is reported as a prepaid asset in the financial statements. The member agreements permit Primex to make additional assessments to members should there be a deficiency in trust assets to meet its liabilities. At this time, Primex foresees no likelihood of any additional assessments for past years.

IV.B. Retirement Pensions

General Information about the Pension Plan

The New Hampshire Retirement System (NHRs) is a multiple-employer, cost-sharing, contributory public employee defined benefit plan qualified under section 401(a) of the Internal Revenue Code, and funded through a trust which is exempt from tax under Internal Revenue Code section 501(a). The NHRs provides service, disability, death and vested retirement benefits for employees and their beneficiaries. The New Hampshire Legislature establishes the provisions for benefits and contributions. The NHRs issues a separate financial report that is available at www.nhrs.org or by contacting the NHRs at 54 Regional Drive, Concord, NH 03301.

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Both the members and the Town make contributions to the NHRS. Member rates of contribution are set by the Legislature. Employer rates are determined by the NHRS trustees based on an actuarial valuation. The rates of contribution for police officers, firefighters, and other employees were 11.55%, 11.80%, and 7.0%, respectively, of gross earnings. During fiscal year 2017, the rates of contribution from the Town were 26.38% for police, 29.16% for fire personnel, and 11.17% for other employees, which are actuarially determined to generate an amount, that when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions from the Town during the fiscal years 2015, 2016 and 2017 were \$459,361, \$497,074 and \$524,325, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2017, the Town reported a liability of \$6,926,213 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward. 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 municipalities and school districts, actuarially determined. As of June 30, 2016, the Town's proportion was 0.1303%, which was an increase of 0.0038% from its proportion reported as of June 30, 2016.

For the year ended June 30, 2017, the Town recognized pension expense of \$775,611. At June 30, 2017, 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 and differences between employer contributions and proportionate share of contributions | \$ 123,941 | \$ 156,931 |
| Net difference between projected and actual earnings on pension plan investments | 433,339 | - |
| Changes in assumptions | 852,397 | - |
| Differences between expected and actual experience | 19,248 | 87,461 |
| Town contributions subsequent to the measurement date | 523,683 | - |
| | <u><u>\$ 1,952,608</u></u> | <u><u>\$ 244,392</u></u> |

The Town reported \$523,683 as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date, which will be recognized as a

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reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follow:

| Ending June 30, | |
|--------------------|----------------------------|
| 2018 | \$ 219,879 |
| 2019 | 219,879 |
| 2020 | 381,817 |
| 2021 | 344,635 |
| 2022 | <u>18,323</u> |
| | <u><u>\$ 1,184,533</u></u> |

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | | |
|---------------------------|-----------------------------------|--|
| Inflation | 2.5% | |
| Salary increases | 5.6% average, including inflation | |
| Investment rate of return | 7.25% per year | |

Mortality rates were based on the RP-2014 Mortality Table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following 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 one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

| | Current Discount Rate (7.25%) | 1% Decrease (6.25%) | 1% Increase (8.25%) |
|---|--|---------------------------|---------------------------|
| Town's proportionate share of net pension liability | \$ 6,926,213 | \$ 8,899,711 | \$ 5,289,508 |

Other actuarial assumptions, as well as detailed information about the pension plan's fiduciary net position, is available in the separately issued NHRS report.

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IV.C. Contingent Liabilities

Amounts received from grantor agencies are subject to audit and adjustments by such agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

IV.D. Eversource Appeal of Tax Assessment

In October 2016, the Superior Court found in favor of Public Service Company of New Hampshire (PSNH) doing business as Eversource Energy, which had appealed its tax assessment for the years 2012 and 2013. This decision resulted in a refund due for taxes paid by PSNH in the amount of \$5,722,373. The Town appealed this decision to the Supreme Court.

Subsequent Event: In January 2018, the Supreme Court issued its decision upholding the lower court's decision. The Town paid Eversource the \$5,722,373 in February 2018, and at that time, still owes \$1,643,227 in interest. The Town included an additional \$1,300,000 in overlay when the 2017 tax rate was set in the fall of 2017 to cover most of this amount.

Litigation involving the subsequent tax years from 2014 onward is still pending, and there is no estimate at this time as to what the impact of that will be should there be a ruling against the Town.

IV.E. Other Postemployment Benefits

Plan Description

As required by NH RSA 100-A:50, *New Hampshire Retirement System: Medical Benefits*, the Town provides its eligible retirees and terminated employees including certain beneficiaries, the ability to purchase health, dental and prescription drug coverage at the Town's group rates. The Town does not supplement the cost of these plans directly, but recognizes the liability for the inclusion of implicit rate subsidies to the retirees. The subsidy occurs because when a blended rate is used for a group of individuals that includes younger and presumably healthier people along with older, retired people, implicitly, the active employees are subsidizing the retirees. As of June 30, 2017, there were fourteen retirees with four spouses, and thirty-eight active employees with fourteen spouses participating in the plan.

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Benefits Provided

The Town provides medical, dental and prescription drug coverage to retirees and their eligible spouses and dependents. All active employees who retire from the Town and meet the eligibility requirements can receive these benefits.

Funding Policy

Retirees contribute all of the premiums as determined by the Town, but the remainder of the costs as derived from the implicit subsidy are paid by the Town on a pay-as-you-go basis.

Annual OPEB Costs and Net OPEB Obligation

The Town's annual OPEB expense for the fiscal year 2017 was calculated based on the annual required contribution of the Town (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period not to exceed thirty years.

The Town's annual OPEB cost for the fiscal year ended June 30, 2017, including the amount actually contributed to the plan and the change in the Town's net OPEB obligation is as follows:

| | |
|---------------------------------------|----------------------------|
| Annual Required Contribution (ARC) | \$ 217,824 |
| Interest on Net OPEB Obligation (NOO) | 22,457 |
| Adjustment to ARC | <u>(32,271)</u> |
| Annual OPEB Cost (Expense) | 208,010 |
| Age Adjusted Contributions Made | <u>(79,301)</u> |
| Changes in NOO | 128,709 |
| NOO, beginning | 898,264 |
| NOO, ending | <u><u>\$ 1,026,973</u></u> |

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year 2017 and the preceding four years were as follow:

| Fiscal Year Ended | Annual OPEB Cost | Age Adjusted Contribution | Percentage of Annual Cost Contributed | Change in Net OPEB Obligation |
|-------------------|------------------|---------------------------|---------------------------------------|-------------------------------|
| June 30, 2017 | \$208,010 | \$79,301 | 38.12% | \$128,709 |
| June 30, 2016 | \$200,575 | \$106,885 | 53.29% | \$93,690 |
| June 30, 2015 | \$284,574 | \$128,641 | 45.20% | \$155,933 |
| June 30, 2014 | \$280,210 | \$156,177 | 55.74% | \$124,033 |
| June 30, 2013 | \$284,779 | \$162,448 | 57.04% | \$122,331 |

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Funded Status and Funding Progress

The funded status of the plan as of June 30, 2017, is as follows:

| | |
|---|---------------------|
| Actuarial Accrued Liability | \$ 1,465,915 |
| Actuarial Value of Plan Assets | - |
| Unfunded Actuarial Accrued Liability (UAAL) | <u>\$ 1,465,915</u> |
| Funded Ratio (Value of Plan Asset/AAL) | 0% |
| Covered Payroll of Active Plan Members | \$ 2,214,473 |
| UAAL as a Percentage of Covered Payroll | 66.20% |

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information after the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in accrued liabilities and the value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 65, or at the first subsequent year in which the member would qualify for benefits.

Marital status – Marital status of members at the calculation date was assumed to continue throughout retirement.

Health insurance premiums – The health insurance premiums for retirees in fiscal year 2017 were used as the basis for calculation of the present value of total benefits to be paid.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Amortization method – The level percent of payroll amortization method was used, which calculates amortization payments as a constant percentage of projected payroll over a given number of years.

Amortization period – The amortization period used was thirty years.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT 9
TOWN OF BOW, NEW HAMPSHIRE
Other Postemployment Benefits
Schedule of Funding Progress

| For Fiscal Year Ended | Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------------|--------------------------------|---------------------------------|--|---------------------------|-----------------|--------------------|---|
| 6/30/2013 | 6/30/2010 | \$ - | \$ 1,840,450 | \$ 1,840,450 | 0% | \$ 2,015,432 | 91.32% |
| 6/30/2014 | 6/30/2011 | \$ - | \$ 1,840,450 | \$ 1,840,450 | 0% | \$ 1,950,970 | 94.34% |
| 6/30/2015 | 6/30/2012 | \$ - | \$ 1,840,450 | \$ 1,840,450 | 0% | \$ 1,987,103 | 92.62% |
| 6/30/2016 | 6/30/2015 | \$ - | \$ 1,465,915 | \$ 1,465,915 | 0% | \$ 2,047,929 | 71.58% |
| 6/30/2017 | 6/30/2016 | \$ - | \$ 1,465,915 | \$ 1,465,915 | 0% | \$ 2,214,473 | 66.20% |

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

EXHIBIT 10
TOWN OF BOW, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of the Net Pension Liability
New Hampshire Retirement System

| | Fiscal Year 2017 | Fiscal Year 2016 | Fiscal Year 2015 | Fiscal Year 2014 |
|--|------------------------|------------------------|------------------------|------------------------|
| Town's proportion of net pension liability | 0.1303% | 0.1265% | 0.1310% | 0.1329% |
| Town's proportionate share of the net pension liability | \$6,926,213 | \$5,012,730 | \$4,918,796 | \$5,719,047 |
| Town's covered-employee payroll | \$2,785,559 | \$2,776,708 | \$2,705,900 | \$2,638,463 |
| Town's proportionate share of the net pension liability as a percentage of covered-employee payroll | 248.65% | 180.53% | 181.78% | 216.76% |
| Plan fiduciary net position as a percentage of the total pension liability | 58.3% | 65.5% | 66.3% | 59.8% |

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

EXHIBIT 11
TOWN OF BOW, NEW HAMPSHIRE
Schedule of the Town's Pension Contributions
New Hampshire Retirement System

| | Fiscal Year 2017 | Fiscal Year 2016 | Fiscal Year 2015 | Fiscal Year 2014 |
|---|------------------------|------------------------|------------------------|------------------------|
| Contractually required contribution | \$ 523,683 | \$ 497,074 | \$ 459,361 | \$ 425,133 |
| Contribution in relation to the contractually required contribution | (523,683) | (497,074) | (459,361) | (425,133) |
| Contribution deficiency | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Town's covered-employee payroll | \$ 2,785,559 | \$ 2,776,708 | \$ 2,705,900 | \$ 2,638,463 |
| Contributions as a percentage of covered-employee payroll | 18.80% | 17.90% | 16.98% | 16.11% |

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

TOWN OF BOW, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The Schedule of Funding Progress, the Schedule of the Town's Proportionate Share of the Net Pension Liability and the Schedule of the Town's Pension Contributions are meant to present related information for ten years. Because this is the fifth year that the Town has reported the OPEB schedule, and the third year that the Town has presented the pension schedules, only five and four years, respectively, are presented. An additional year's information will be added each year until there are ten years shown.

COMBINING AND INDIVIDUAL FUND SCHEDULES

EXHIBIT 12
TOWN OF BOW, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2017

| | Special Revenue Funds | | | | | | | | | | | | Capital Projects Fund | |
|--|-----------------------|----------------------|-------------------|------------------|-------------------------|------------------|---------------------|-------------------|-------------------------|----------------------|------------------------|-------------------|-----------------------|---------------------|
| | Baker Free Library | Recreation Revolving | Recreation Fields | Heritage | Conservation Commission | Water | Sewer | 300th Anniversary | Welfare Holiday Baskets | Celebrating Children | Police Drug Forfeiture | Roads and Bridges | Permanent Fud | Total |
| | | | | | | | | | | | | | | |
| ASSETS | | | | | | | | | | | | | | |
| Cash and cash equivalents | \$ 57,857 | \$ 66,262 | \$ 10,857 | \$ 14,285 | \$ 329,229 | \$ - | \$ 1,016,133 | \$ 1,794 | \$ 30,642 | \$ 5,583 | \$ 1,854 | \$ 192,798 | \$ 46,249 | \$ 1,773,543 |
| Investments | - | - | - | - | - | - | - | - | - | - | - | - | 224,390 | 224,390 |
| Receivables: | | | | | | | | | | | | | | |
| Taxes | - | - | - | - | 7,900 | - | - | - | - | - | - | - | - | 7,900 |
| Accounts | - | - | - | - | - | 16,659 | 49,108 | - | - | - | - | - | - | 65,767 |
| Interfund receivable | 3,898 | - | - | - | - | - | - | - | - | - | - | - | - | 3,898 |
| Total assets | <u>\$ 61,755</u> | <u>\$ 66,262</u> | <u>\$ 10,857</u> | <u>\$ 14,285</u> | <u>\$ 337,129</u> | <u>\$ 16,659</u> | <u>\$ 1,065,241</u> | <u>\$ 1,794</u> | <u>\$ 30,642</u> | <u>\$ 5,583</u> | <u>\$ 1,854</u> | <u>\$ 192,798</u> | <u>\$ 270,639</u> | <u>\$ 2,075,498</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | | | | | | | | | | | |
| Liabilities: | | | | | | | | | | | | | | |
| Accounts payable | \$ 268 | \$ 555 | \$ - | \$ - | \$ 60 | \$ 1,241 | \$ 31,060 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 33,184 |
| Accrued salaries and benefits | 12,536 | - | - | - | - | - | - | - | - | - | - | - | - | 12,536 |
| Interfund payable | - | - | - | - | - | 8,700 | - | - | - | - | - | - | - | 12,598 |
| Total liabilities | <u>12,804</u> | <u>555</u> | <u>-</u> | <u>-</u> | <u>60</u> | <u>9,941</u> | <u>31,060</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,898</u> |
| Deferred inflows of resources: | | | | | | | | | | | | | | |
| Deferred revenue | - | 30,210 | - | - | - | - | - | 233 | - | - | 1,450 | - | - | 31,893 |
| Fund balances: | | | | | | | | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - | - | - | - | - | - | - | 232,817 |
| Restricted | 48,951 | - | - | - | - | - | - | - | - | - | - | - | - | 33,924 |
| Committed | - | 35,497 | 10,857 | 14,285 | 337,069 | 6,718 | 1,033,948 | 1,794 | 30,642 | 4,133 | - | 1,854 | - | 84,729 |
| Total fund balances | <u>48,951</u> | <u>35,497</u> | <u>10,857</u> | <u>14,285</u> | <u>337,069</u> | <u>6,718</u> | <u>1,033,948</u> | <u>1,794</u> | <u>30,642</u> | <u>4,133</u> | <u>-</u> | <u>1,854</u> | <u>-</u> | <u>1,667,741</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 61,755</u> | <u>\$ 66,262</u> | <u>\$ 10,857</u> | <u>\$ 14,285</u> | <u>\$ 337,129</u> | <u>\$ 16,659</u> | <u>\$ 1,065,241</u> | <u>\$ 1,794</u> | <u>\$ 30,642</u> | <u>\$ 5,583</u> | <u>\$ 1,854</u> | <u>\$ 192,798</u> | <u>\$ 270,639</u> | <u>\$ 2,075,498</u> |

EXHIBIT 13
TOWN OF BOW, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

| | Special Revenue Funds | | | | | | | | | | | | Capital Projects Fund | | Permanent Fund | Total |
|---|-----------------------|----------------------|-------------------|-----------|-------------------------|----------|--------------|-------------------|-------------------------|-----------------------|----------------------|------------------------|-----------------------|------------|----------------|---------|
| | Baker Free Library | Recreation Revolving | Recreation Fields | Heritage | Conservation Commission | Water | Sewer | 300th Anniversary | Welfare Holiday Baskets | Police Outside Detail | Celebrating Children | Police Drug Forfeiture | Roads and Bridges | | | |
| | | | | | | | | | | | | | | | | |
| REVENUES | | | | | | | | | | | | | | | | |
| Taxes | \$ - | \$ 66,077 | \$ 4,884 | \$ - | \$ 125,650 | \$ - | \$ 197,980 | \$ - | \$ - | \$ 65,667 | \$ 51,287 | \$ - | \$ - | \$ - | \$ 125,650 | |
| Charges for services | | | | | | | | | | | | | | | | 441,201 |
| Miscellaneous | 273,573 | 183 | 47 | 3,357 | 1,634 | - | 4,482 | 8 | 7,254 | - | 42 | 1,218 | - | 3,638 | 295,436 | |
| Total revenues | 273,573 | 66,260 | 4,931 | 3,357 | 127,284 | 55,306 | 202,462 | 8 | 7,254 | 65,667 | 51,329 | 1,218 | - | 3,638 | 862,287 | |
| EXPENDITURES | | | | | | | | | | | | | | | | |
| Current: | | | | | | | | | | | | | | | | |
| Public safety | - | - | - | - | - | - | - | - | - | 65,667 | - | - | - | - | 65,667 | |
| Sanitation | - | - | - | - | - | - | 145,570 | - | - | - | - | - | - | - | 145,570 | |
| Water distribution and treatment | - | - | - | - | - | 111,831 | - | - | - | - | - | - | - | - | 111,831 | |
| Welfare | - | - | - | - | - | - | - | 2,719 | - | - | - | - | - | - | 2,719 | |
| Culture and recreation | 81,908 | 54,548 | - | 2,118 | - | - | - | - | - | 55,418 | - | - | - | - | 193,992 | |
| Conservation | - | - | - | - | 1,004 | - | - | - | - | - | - | - | - | - | 1,004 | |
| Capital outlay | 424,115 | - | 3,399 | 6,585 | - | - | - | - | - | - | - | - | 169,594 | - | 603,693 | |
| Total expenditures | 506,023 | 54,548 | 3,399 | 8,703 | 1,004 | 111,831 | 145,570 | - | 2,719 | 65,667 | 55,418 | - | 169,594 | - | 1,124,476 | |
| Excess (deficiency) of revenues over (under) expenditures | (232,450) | 11,712 | 1,532 | (5,346) | 126,280 | (56,525) | 56,892 | 8 | 4,535 | - | (4,089) | 1,218 | (169,594) | 3,638 | (262,189) | |
| Other financing sources (uses): | | | | | | | | | | | | | | | | |
| Transfers in | 160,923 | - | - | - | - | 145,012 | - | - | - | - | - | - | 165,595 | - | 471,530 | |
| Transfers out | - | - | - | - | (79,155) | - | - | - | - | - | - | - | - | (306) | (79,461) | |
| Total other financing sources and uses | 160,923 | - | - | - | (79,155) | 145,012 | - | - | - | - | - | - | 165,595 | (306) | 392,069 | |
| Net change in fund balances | (71,527) | 11,712 | 1,532 | (5,346) | 47,125 | 88,487 | 56,892 | 8 | 4,535 | - | (4,089) | 1,218 | (3,999) | 3,332 | 129,880 | |
| Fund balances, beginning, as restated | 120,478 | 23,785 | 9,325 | 19,631 | 289,944 | (81,769) | 977,056 | 1,786 | 26,107 | - | 8,222 | 636 | 196,797 | 263,409 | 1,855,407 | |
| Fund balances, ending | \$ 48,951 | \$ 35,497 | \$ 10,857 | \$ 14,285 | \$ 337,069 | \$ 6,718 | \$ 1,033,948 | \$ 1,794 | \$ 30,642 | \$ - | \$ 4,133 | \$ 1,854 | \$ 192,798 | \$ 266,741 | \$ 1,985,287 | |

EXHIBIT 14
TOWN OF BOW, NEW HAMPSHIRE
General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Year Ended June 30, 2017

| | Estimated | Actual | Variance Positive (Negative) |
|---|----------------------|----------------------|------------------------------------|
| Taxes: | | | |
| Property | \$ 6,888,033 | \$ 7,074,719 | \$ 186,686 |
| Timber | 2,000 | 7,305 | 5,305 |
| Excavation | 9,900 | 7,208 | (2,692) |
| Interest and penalties on delinquent taxes | 85,000 | 116,439 | 31,439 |
| Total taxes | <u>6,984,933</u> | <u>7,205,671</u> | <u>220,738</u> |
| Licenses, permits and fees: | | | |
| Business licenses and permits | 32,000 | 41,459 | 9,459 |
| Motor vehicle permits | 2,079,025 | 2,197,757 | 118,732 |
| Building permits | 55,900 | 80,789 | 24,889 |
| Other | 16,185 | 12,379 | (3,806) |
| Total licenses, permits and fees | <u>2,183,110</u> | <u>2,332,384</u> | <u>149,274</u> |
| Intergovernmental: | | | |
| State sources: | | | |
| Meals and rooms distributions | 397,801 | 397,801 | - |
| Highway block grant | 218,345 | 218,342 | (3) |
| State and federal forest land | 73 | 77 | 4 |
| LCHIP grants | - | 6,990 | 6,990 |
| Railroad tax | 2,736 | 2,736 | - |
| Other grants | - | 3,380 | 3,380 |
| Federal sources: | | | |
| Police grants | 42,500 | 37,844 | (4,656) |
| Total intergovernmental | <u>661,455</u> | <u>667,170</u> | <u>5,715</u> |
| Charges for services: | | | |
| Income from departments | <u>633,337</u> | <u>531,317</u> | <u>(102,020)</u> |
| Miscellaneous: | | | |
| Sale of property | - | 24,406 | 24,406 |
| Interest on investments | 8,000 | 74,346 | 66,346 |
| Rent of property | - | 4,485 | 4,485 |
| Insurance dividends and reimbursements | - | 5,200 | 5,200 |
| Contributions and donations | - | 353 | 353 |
| Other | - | 28,608 | 28,608 |
| Total miscellaneous | <u>8,000</u> | <u>137,398</u> | <u>129,398</u> |
| Other financing sources: | | | |
| Transfers in: | | | |
| Expendable trust fund | 613,707 | 687,329 | 73,622 |
| Nonmajor funds | 22,000 | 79,155 | 57,155 |
| Total other financing sources | <u>635,707</u> | <u>766,484</u> | <u>130,777</u> |
| Total revenues and other financing sources | <u>11,106,542</u> | <u>\$ 11,640,424</u> | <u>\$ 533,882</u> |
| Fund balance appropriated | 300,000 | | |
| Total revenues, other financing sources and use of fund balance | <u>\$ 11,406,542</u> | | |

EXHIBIT 15
TOWN OF BOW, NEW HAMPSHIRE
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended June 30, 2017

| | Encumbered from Prior Year | Appropriations | Expenditures | Encumbered to Subsequent Year | Variance Positive (Negative) |
|--------------------------------------|-------------------------------------|------------------|------------------|--|------------------------------------|
| Current: | | | | | |
| General government: | | | | | |
| Executive | \$ - | \$ 280,479 | \$ 282,378 | \$ - | \$ (1,899) |
| Election and registration | - | 233,898 | 221,603 | - | 12,295 |
| Financial administration | - | 558,872 | 560,145 | - | (1,273) |
| Legal | - | 131,800 | 88,986 | - | 42,814 |
| Personnel administration | - | 86,800 | 9,607 | - | 77,193 |
| Planning and zoning | - | 267,964 | 214,008 | - | 53,956 |
| General government buildings | - | 250,830 | 194,839 | 28,966 | 27,025 |
| Cemeteries | - | 23,200 | 19,604 | - | 3,596 |
| Insurance, not otherwise allocated | - | 68,221 | 72,996 | - | (4,775) |
| Eversource settlement refund | - | - | 7,152,054 | - | (7,152,054) |
| Total general government | - | 1,902,064 | 8,816,220 | 28,966 | (6,943,122) |
| Public safety: | | | | | |
| Police | - | 1,707,326 | 1,559,671 | - | 147,655 |
| Fire | - | 1,204,985 | 1,151,004 | 1,913 | 52,068 |
| Building inspection | - | 119,427 | 119,195 | 1,007 | (775) |
| Emergency management | - | 18,231 | 18,546 | - | (315) |
| Total public safety | - | 3,049,969 | 2,848,416 | 2,920 | 198,633 |
| Highways and streets: | | | | | |
| Administration | - | 1,269,321 | 1,226,997 | - | 42,324 |
| Highways and streets | 48,185 | 509,845 | 514,428 | - | 43,602 |
| Street lighting | - | 39,008 | 35,514 | - | 3,494 |
| Total highways and streets | 48,185 | 1,818,174 | 1,776,939 | - | 89,420 |
| Sanitation: | | | | | |
| Solid waste disposal | 5,608 | 718,050 | 647,213 | - | 76,445 |
| Health: | | | | | |
| Administration | - | 2,345 | 2,391 | - | (46) |
| Health agencies | - | 4,650 | 4,650 | - | - |
| Total health | - | 6,995 | 7,041 | - | (46) |
| Welfare: | | | | | |
| Administration and direct assistance | - | 11,911 | 4,666 | - | 7,245 |

(continued)

EXHIBIT 15 (continued)
TOWN OF BOW, NEW HAMPSHIRE
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended June 30, 2017

| | Encumbered from Prior Year | Appropriations | Expenditures | Encumbered to Subsequent Year | Variance Positive (Negative) |
|--|-------------------------------------|----------------------|----------------------|--|------------------------------------|
| Culture and recreation: | | | | | |
| Parks and recreation | 7,495 | 304,779 | 292,977 | 3,930 | 15,367 |
| Public library | - | 506,270 | 506,270 | - | - |
| Patriotic purposes | - | 500 | 500 | - | - |
| Other | - | 1,750 | 1,749 | - | 1 |
| Total culture and recreation | <u>7,495</u> | <u>813,299</u> | <u>801,496</u> | <u>3,930</u> | <u>15,368</u> |
| Debt service: | | | | | |
| Principal | - | 825,000 | 825,000 | - | - |
| Interest on long-term debt | - | 403,238 | 416,302 | - | (13,064) |
| Interest on tax anticipation note | - | 1 | - | - | 1 |
| Total debt service | <u>-</u> | <u>1,228,239</u> | <u>1,241,302</u> | <u>-</u> | <u>(13,063)</u> |
| Capital outlay: | | | | | |
| Machinery, vehicles and equipment | - | 571,207 | 569,060 | - | 2,147 |
| Buildings | 8,145 | 127,000 | 196,457 | - | (61,312) |
| Improvements other than buildings | <u>345,500</u> | <u>335,000</u> | <u>625,291</u> | <u>55,208</u> | <u>1</u> |
| Total capital outlay | <u>353,645</u> | <u>1,033,207</u> | <u>1,390,808</u> | <u>55,208</u> | <u>(59,164)</u> |
| Other financing uses: | | | | | |
| Transfers out: | | | | | |
| Expendable trust fund | - | 460,000 | 460,000 | - | - |
| Public safety building fund | - | - | 90,280 | - | (90,280) |
| Nonmajor funds | - | 364,634 | 145,012 | - | 219,622 |
| Total other financing uses | <u>-</u> | <u>824,634</u> | <u>695,292</u> | <u>-</u> | <u>129,342</u> |
| Total encumbrances, appropriations, expenditures and other financing uses | <u>\$ 414,933</u> | <u>\$ 11,406,542</u> | <u>\$ 18,229,393</u> | <u>\$ 91,024</u> | <u>\$ (6,498,942)</u> |

EXHIBIT 16
TOWN OF BOW, NEW HAMPSHIRE
General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Year Ended June 30, 2017

| | |
|--|------------------------------|
| Unassigned fund balance, beginning | \$ 3,293,343 |
| Changes: | |
| Unassigned fund balance appropriated | (300,000) |
| Budget summary: | |
| Revenue surplus (Exhibit 14) | \$ 533,882 |
| Overdraft of appropriations (Exhibit 15) | <u>(6,498,942)</u> |
| Budget deficit | (5,965,060) |
| Decrease in nonspendable fund balance | 12,956 |
| Decrease in assigned fund balance | <u>1,000,000</u> |
| Unassigned fund balance, ending | <u><u>\$ (1,958,761)</u></u> |



Roberts & Greene, PLLC

LETTER TO MANAGEMENT

To the Members of the Board of Selectmen and Town Manager
Town of Bow
10 Grandview Road
Bow, NH 03304

Dear Members of the Board and Town Manager:

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 Bow as of and for the year ended June 30, 2015, 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 Bow's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

Our consideration of internal control was for the limited purpose described in the preceding 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 note the following that we reported last year, but were too late for it to be addressed at that time so we are repeating it here.

Police Outside Details Revolving Fund

As reported previously, N.H. RSA 31:95-h allows towns to establish revolving funds for certain specific purposes in order to accumulate monies from year to year that would not become part of the General Fund surplus, but would be available for expenditures only for the purposes for which the fund is created.

The 2008 Town Meeting established a revolving fund under the provisions of this RSA for police outside details. However, the warrant article for this fund (Article 23) was worded that revenues received for police details shall be deposited into this fund in an amount equal to the related cost. Although the article continued that the money in this fund would be allowed to accumulate from year to year, there is obviously, no money to accumulate if only an amount equal to the expenditures is being deposited therein. This fund is serving no purpose other than creating more work for the Finance Department to accumulate the expenditures separately from the General Fund, and then, transfer an amount of revenue equal to the expenditures into the fund. We recommend that a future Town Meeting amend the establishment of this fund to either abolish it, or set it up as a true revolving fund to accumulate monies for some specific purpose and account for all of the revenue and expenditures related to police

Town of Bow
Letter to Management

outside details. The future article should further state for what purpose the monies are being accumulated such as to offset the purchase of police equipment or cruisers.

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.

February 21, 2018

Robert O. Greene, PLLC