

TOWN OF BOW, NEW HAMPSHIRE

FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

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TABLE OF CONTENTS

	PAGES
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position (Exhibit 1)	10
Statement of Activities (Exhibit 2)	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds (Exhibit 3)	12
Reconciliation of Total Fund Balances of Governmental Funds to the Statement of Net Position (Exhibit 4)	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit 5)	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of	
Governmental Funds to the Statement of Activities (Exhibit 6)	15
General Fund - Statement of Revenues, Expenditures and Changes in Unassigned Fund Balance	
Budget and Actual (Non-GAAP Budgetary Basis) (Exhibit 7)	16
Fiduciary Funds – Statement of Fiduciary Net Position (Exhibit 8)	17
NOTES TO THE FINANCIAL STATEMENTS	18
REQUIRED SUPPLEMENTARY INFORMATION	
Other Postemployment Benefits – Schedule of Funding Progress (Exhibit 9)	39
Schedule of the Town's Proportionate Share of the Net Pension Liability (Exhibit 10)	40
Schedule of the Town's Pension Contributions (Exhibit 11)	41
Note to the Required Supplementary Information	42
COMBINING AND INDIVIDUAL FUND SCHEDULES	
Nonmajor Governmental Funds	
Combining Balance Sheet (Exhibit 12)	43
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit 13)	44
General Fund	
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis) (Exhibit 14)	45
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis) (Exhibit 15)	46
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis) (Exhibit 16)	48
LETTER TO MANAGEMENT	49



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, 2016, 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, 2016, 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 schedules 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 14, 2017

Roberts & Greene, 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, 2016.

Financial Highlights

As of June 30, 2016, the assets of the Town exceeded its liabilities by \$43,501,357 (net position). Of this amount, \$5,780,060 (unrestricted net position) may be used to meet the Town’s ongoing obligations to citizens and creditors.

The Town’s net position increased by \$732,775.

As of June 30, 2016, the Town’s governmental funds reported combined ending fund balances of \$12,025,282, an increase of \$414,697 in comparison with the prior year.

As of June 30, 2016, the \$2,954,409 unassigned fund balance of the General Fund represented 29% of total General Fund expenditures.

During the year ended June 30, 2016, the Town’s total general obligation bonded debt decreased by \$870,000, representing bond principal payments and includes the retirement of a sewer bond issued in 1996.

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, 2016. 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).

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 and the Expendable Trust 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 \$43,501,351 at June 30, 2016.

The largest portion of the Town's net position (86%) 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, 2016</u>	<u>June 30, 2015</u>
Current assets	\$ 28,755,367	\$ 28,466,682
Capital assets	<u>46,762,834</u>	<u>47,442,992</u>
Total assets	75,518,201	75,909,674
Deferred outflows of resources	818,890	459,361
Long-term liabilities outstanding	14,708,218	16,304,567
Current liabilities	<u>13,666,522</u>	<u>12,877,100</u>
Total liabilities	28,374,740	30,428,677
Deferred inflows of resources	4,460,994	4,418,786
Net position:		
Invested in capital assets, net of related debt	37,454,294	37,231,730
Restricted	267,003	273,953
Unrestricted	<u>5,780,060</u>	<u>5,262,899</u>
Total net position	\$ 43,501,357	\$ 42,768,582

A relatively small portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$5,780,060) may be used to meet the government's ongoing obligations to citizens and creditors.

At June 30, 2016, the Town is able to report positive balances in all three categories of net position.

As indicated by the schedule below, the Town's net position increased by \$732,775 during the year ended June 30, 2016.

**Town of Bow
 Changes in Net Position**

	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>
Revenues:		
Program revenues:		
Charges for services	\$ 992,050	\$ 1,027,032
Operating grants and contributions	18,207	43,261
Capital grants and contributions	236,293	382,852
General revenues:		
Property taxes and other taxes	7,184,526	7,364,365
Licenses and permits	2,239,030	2,046,998
Unrestricted grants and contributions	368,661	373,406
Miscellaneous	<u>226,646</u>	<u>539,661</u>
Total revenues	10,018,863	11,777,575
Expenses:		
General government	2,092,747	1,814,062
Public safety	3,167,477	3,356,296
Highways and streets	2,707,150	2,915,083
Health and welfare	15,563	17,607
Sanitation	830,149	823,334
Capital outlay	292,883	222,234
Water distribution and treatment	140,317	918,524
Culture and recreation	948,335	981,694
Conservation	1,604	674
Interest on long-term debt	<u>323,357</u>	<u>349,371</u>
Total expenses	<u>10,532,638</u>	<u>11,398,879</u>
Change in net position	732,775	378,696
Net position – July 1	<u>42,768,582</u>	<u>42,389,886</u>
Net position – June 30	\$43,501,357	\$42,768,582

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, 2016, the Town's governmental funds reported combined fund balances of \$12,025,282, an increase of \$414,697 in comparison to the prior year. This amount consists of: non-spendable fund balances of \$306,869 representing, tax deeded property for resale, prepaid expenditures and the non-spendable portion of permanent funds; restricted fund balances of \$154,420 representing the library fund and the expendable portion of permanent funds; committed fund balances of \$7,276,420 representing designations by Town Meeting votes for future expenditures and the special revenue and capital project funds; assigned fund balances of \$1,414,933 representing purchase orders or encumbrances authorized by the Board of Selectmen; and a General Fund unassigned fund balance of \$2,872,640.

The General Fund is the chief operating fund of the Town. As of June 30, 2016, the unassigned fund balance of the General Fund was \$2,954,409, while total fund balance amounted to \$4,446,108. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 29% of total General Fund expenditures, while total fund balance represents 44% of that same amount.

During the year ended June 30, 2016, the unassigned fund balance of the General Fund increased by \$6,428.

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, 2016. Actual revenues and transfers in of the General Fund were short of budgetary estimates by \$29,056, while expenditures and transfers out were \$550,657 under budget. This produced a favorable total variance of \$521,601.

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets as of June 30, 2016 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, 2015, which is primarily the result of depreciation.

Town of Bow
Investment in Capital Assets

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Land	\$ 7,542,889	\$ 7,542,889
Buildings and improvements	3,882,606	3,854,596
Machinery, equipment, and vehicles	6,752,707	6,670,126
Infrastructure	57,911,606	57,327,083
Sewer lines	1,703,756	1,703,756
Construction in progress	<u>775,884</u>	<u>820,669</u>
Total investment in capital assets	78,569,448	77,919,119
Related long-term debt	(9,308,540)	(10,204,772)
Accumulated depreciation	<u>(31,806,614)</u>	<u>(30,482,617)</u>
Net investment in capital assets	\$ 37,454,294	\$ 37,231,730

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

Long-term bonded debt. As of June 30, 2016, the Town had total long-term bonded debt outstanding of \$9,020,000. The entire amount is backed by the full faith and credit of the Town.

Town of Bow
Long-Term Bonded Debt

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
1995 sewer construction bonds	\$ 0	\$ 45,000
2007 land acquisition bonds	405,000	465,000
2012 water and sewer system bonds	7,185,000	7,840,000
2008 water and sewer system bonds	<u>1,430,000</u>	<u>1,540,000</u>
Total long-term debt	\$ 9,020,000	\$ 10,760,000

There were no authorized but unissued bonds at June 30, 2016.

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 5.3% since the 2010 census and by 37% 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 3.0% to 2.4% during the past year, and still compares very favorably with state and national rates of 2.8% and 4.9%, 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, 2016

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 19,840,265
Investments	5,622,980
Intergovernmental receivable	3,258
Other receivables, net of allowance for uncollectibles	3,212,098
Prepaid items	20,370
Tax deeded property held for resale	56,396
Capital assets, not being depreciated:	
Land	7,542,889
Construction in progress	775,884
Capital assets, net of accumulated depreciation:	
Vehicles	1,220,147
Buildings and building improvements	2,777,253
Machinery and equipment	574,928
Sewer lines	908,554
Roads	18,953,428
Bridges	570,407
Water and sewer system	12,896,241
Other infrastructure	543,103
Total assets	<u>75,518,201</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pensions	<u>818,890</u>
LIABILITIES	
Accounts payable	278,142
Accrued payroll and benefits	55,548
Contract payable	157,734
Accrued interest payable	129,215
Intergovernmental payable	11,666,549
Retainage payable	4,500
Performance and escrow deposits	496,955
Noncurrent obligations:	
Due within one year:	
Bonds payable	825,000
Unamortized bond premium	26,232
Compensated absences	17,647
Accrued landfill postclosure care costs	9,000
Due in more than one year:	
Bonds payable	8,195,000
Unamortized bond premium	262,308
Compensated absences payable	258,916
Other postemployment benefits payable	898,264
Accrued landfill postclosure care costs	81,000
Net pension liability	5,012,730
Total liabilities	<u>28,374,740</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred amounts related to pensions	772,229
Unearned revenue	3,688,765
Total deferred inflows of resources	<u>4,460,994</u>
NET POSITION	
Net investment in capital assets	37,454,294
Restricted for:	
Perpetual care:	
Nonexpendable	206,908
Expendable	33,179
Other purposes	26,916
Unrestricted	5,780,060
Total net position	<u>\$ 43,501,357</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 Fiscal Year Ended June 30, 2016

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 2,092,747	\$ 74,517	\$ (4,245)	\$ -	\$ (2,022,475)
Public safety	3,167,477	261,083	3,895	10,718	(2,891,781)
Highways and streets	2,707,150	24,200	-	216,883	(2,466,067)
Sanitation	830,149	335,602	-	8,692	(485,855)
Water distribution and treatment	140,317	48,651	-	-	(91,666)
Health	6,869	-	-	-	(6,869)
Welfare	8,694	-	-	-	(8,694)
Culture and recreation	948,335	247,997	18,557	-	(681,781)
Conservation	1,604	-	-	-	(1,604)
Economic development	13,056	-	-	-	(13,056)
Interest on long-term debt	323,357	-	-	-	(323,357)
Capital outlay	292,883	-	-	-	(292,883)
Total governmental activities	<u>\$ 10,532,638</u>	<u>\$ 992,050</u>	<u>\$ 18,207</u>	<u>\$ 236,293</u>	<u>(9,286,088)</u>
General revenues:					
Property taxes					6,989,585
Other taxes					194,941
Licenses and permits					2,239,030
Grants and contributions not restricted to specific programs					368,661
Miscellaneous					<u>226,646</u>
Total general revenues					<u>10,018,863</u>
Change in net position					<u>732,775</u>
Net position, beginning					<u>42,768,582</u>
Net position, ending					<u>\$ 43,501,357</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, 2016

	General	Expendable Trust	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 17,666,790	\$ 351,397	\$ 1,822,078	\$ 19,840,265
Investments	-	5,372,370	250,610	5,622,980
Receivables, net of allowances for uncollectibles:				
Taxes	2,989,357	-	-	2,989,357
Accounts	161,677	-	61,064	222,741
Intergovernmental	-	-	3,258	3,258
Interfund receivable	93,791	-	-	93,791
Prepaid items	20,370	-	-	20,370
Tax deeded property held for resale	56,396	-	-	56,396
Total assets	<u>\$ 20,988,381</u>	<u>\$ 5,723,767</u>	<u>\$ 2,137,010</u>	<u>\$ 28,849,158</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 276,791	\$ -	\$ 1,351	\$ 278,142
Accrued salaries and benefits	55,548	-	-	55,548
Contracts payable	2,194	-	155,540	157,734
Intergovernmental payable	11,666,549	-	-	11,666,549
Retainage payable	-	-	4,500	4,500
Interfund payable	-	-	93,791	93,791
Escrow and performance deposits	496,955	-	-	496,955
Total liabilities	<u>12,498,037</u>	<u>-</u>	<u>255,182</u>	<u>12,753,219</u>
Deferred inflows of resources:				
Deferred revenue	4,044,236	-	26,421	4,070,657
Fund balances:				
Nonspendable	76,766	-	230,103	306,869
Restricted	-	-	154,420	154,420
Committed	-	5,723,767	1,552,653	7,276,420
Assigned	1,414,933	-	-	1,414,933
Unassigned	2,954,409	-	(81,769)	2,872,640
Total fund balances	<u>4,446,108</u>	<u>5,723,767</u>	<u>1,855,407</u>	<u>12,025,282</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 20,988,381</u>	<u>\$ 5,723,767</u>	<u>\$ 2,137,010</u>	<u>\$ 28,849,158</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, 2016

Total fund balances of governmental funds (Exhibit 3)	\$ 12,025,282
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	\$ 78,569,448
Less accumulated depreciation	<u>(31,806,614)</u>
	46,762,834
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.	
Receivables	\$ (93,791)
Payables	<u>93,791</u>
Revenues that are not available to pay for current period expenditures are deferred in the funds.	
Unavailable tax revenue	\$ 338,934
Unavailable ambulance revenue	24,234
Unavailable property sale proceeds	<u>18,724</u>
	381,892
Interest on long-term debt is not accrued in governmental funds.	
Accrued interest payable	(129,215)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds outstanding	\$ 9,020,000
Unamortized bond premium	288,540
Compensated absences payable	276,563
Other postemployment benefits payable	898,264
Accrued landfill postclosure care costs	90,000
Net pension liability	<u>5,012,730</u>
	(15,586,097)
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	\$ 818,890
Deferred inflows of resources related to pensions	<u>(772,229)</u>
	46,661
Total net position of governmental activities (Exhibit 1)	<u><u>\$ 43,501,357</u></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 Fiscal Year Ended June 30, 2016

	General	Expendable Trust	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 7,088,424	\$ -	\$ 80,520	\$ 7,168,944
Licenses, permits and fees	2,239,030	-	-	2,239,030
Intergovernmental	604,954	-	-	604,954
Charges for services	524,753	-	481,256	1,006,009
Miscellaneous	39,379	193,667	31,042	264,088
Total revenues	10,496,540	193,667	592,818	11,283,025
Expenditures:				
Current:				
General government	2,003,537	13,411	922	2,017,870
Public safety	2,998,706	-	103,925	3,102,631
Highways and streets	1,676,935	-	-	1,676,935
Sanitation	682,800	-	108,488	791,288
Water distribution and treatment	-	-	130,420	130,420
Health	6,869	-	-	6,869
Welfare	5,281	-	3,413	8,694
Culture and recreation	818,578	-	116,497	935,075
Conservation	-	-	1,604	1,604
Economic development	13,056	-	-	13,056
Debt service:				
Principal	870,000	-	-	870,000
Interest	358,691	-	-	358,691
Capital outlay	616,058	-	339,137	955,195
Total expenditures	10,050,511	13,411	804,406	10,868,328
Excess (deficiency) of revenues over (under) expenditures	446,029	180,256	(211,588)	414,697
Other financing sources (uses):				
Transfers in	315,586	480,000	273,763	1,069,349
Transfers out	(704,216)	(280,406)	(84,727)	(1,069,349)
Total other financing sources and uses	(388,630)	199,594	189,036	-
Net change in fund balances	57,399	379,850	(22,552)	414,697
Fund balances, beginning	4,388,709	5,343,917	1,877,959	11,610,585
Fund balances, ending	\$ 4,446,108	\$ 5,723,767	\$ 1,855,407	\$ 12,025,282

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 Fiscal Year Ended June 30, 2016

Net change in fund balances of governmental funds (Exhibit 5)	\$ 414,697
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 depreciation expense exceeded capitalized capital outlay in the current period.	
Capitalized capital outlay	\$ 731,644
Depreciation expense	<u>(1,405,312)</u>
	(673,668)
Transfers in and out between governmental funds are eliminated on the operating statement.	
Transfers in	\$ (1,069,349)
Transfers out	<u>1,069,349</u>
	(673,668)
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	\$ 15,582
Change in unavailable ambulance revenue	(24,576)
Change in unavailable land purchase revenue	1,490
Change in unavailable State aid	(8,692)
Change in unavailable sewer rents	<u>(1,416)</u>
	(17,612)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net position.	
Repayment of bond principal	\$ 870,000
Amortization of bond premium	<u>26,232</u>
	896,232
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Decrease in accrued interest expense	\$ 9,102
Decrease in compensated absences payable	862
Increase in other postemployment benefits payable	(93,690)
Decrease in accrued landfill postclosure care costs	<u>9,000</u>
	(74,726)
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	\$ 497,074
Cost of benefits earned, net of employee contributions	<u>(309,222)</u>
	187,852
Change in net position of governmental activities (Exhibit 2)	<u>\$ 732,775</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 Fiscal Year Ended June 30, 2016

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 6,937,604	\$ 7,104,006	\$ 166,402
Licenses, permits and fees	1,993,615	2,239,030	245,415
Intergovernmental	589,145	604,954	15,809
Charges for services	675,700	524,753	(150,947)
Miscellaneous	194,500	39,379	(155,121)
Total revenues	<u>10,390,564</u>	<u>10,512,122</u>	<u>121,558</u>
EXPENDITURES			
Current:			
General government	1,577,986	2,003,537	(425,551)
Public safety	3,451,113	2,996,036	455,077
Highways and streets	1,924,257	1,692,220	232,037
Sanitation	721,109	688,408	32,701
Health	6,795	6,869	(74)
Welfare	12,817	5,281	7,536
Culture and recreation	858,471	821,980	36,491
Economic development	14,615	12,696	1,919
Debt service:			
Principal	870,000	870,000	-
Interest on long-term debt	358,691	358,691	-
Interest on tax anticipation note	1	-	1
Capital outlay	<u>1,013,700</u>	<u>642,173</u>	<u>371,527</u>
Total expenditures	<u>10,809,555</u>	<u>10,097,891</u>	<u>711,664</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(418,991)</u>	<u>414,231</u>	<u>833,222</u>
Other financing sources (uses):			
Transfers in	466,200	315,586	(150,614)
Transfers out	(543,209)	(704,216)	(161,007)
Total other financing sources and uses	<u>(77,009)</u>	<u>(388,630)</u>	<u>(311,621)</u>
Net change in fund balance	<u>\$ (496,000)</u>	<u>25,601</u>	<u>\$ 521,601</u>
Increase in nonspendable fund balance		(3,591)	
Unassigned fund balance, beginning		3,271,333	
Unassigned fund balance, ending		<u>\$ 3,293,343</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, 2016

	Agency
Assets:	
Cash and cash equivalents	\$ 97,485
Investments	1,490,409
Total assets	<u>1,587,894</u>
Liabilities:	
Due to other governmental units	<u>1,587,894</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, 2016

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, 2016.

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, 2016

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, 2016

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.

The Town also reports sixteen 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.

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

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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, 2016

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 tax deeded property held for resale which is 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 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, and an amount for a possible contingency.
- Unassigned, representing the remaining balance of the General Fund, and the deficit in the Water Fund.

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.

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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 2016, \$350,000 of the fund balance from fiscal year 2015 was so used, and \$146,000 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)	\$ 10,827,708
Adjustments:	
Basis difference:	
Unavailable tax revenue deferred in the prior year	323,352
Unavailable tax revenue deferred in the current year	(338,934)
Per Exhibit 5 (GAAP basis)	<u><u>\$ 10,812,126</u></u>

Expenditures and other financing uses:

Per Exhibit 7 (budgetary basis)	\$ 10,802,107
Adjustments:	
Basis difference:	
Encumbrances, beginning	367,553
Encumbrances, ending	(414,933)
Per Exhibit 5 (GAAP basis)	<u><u>\$ 10,754,727</u></u>

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Unassigned fund balance:	
Per Exhibit 7 (budgetary basis)	\$ 3,293,343
Adjustment:	
Basis difference:	
Deferred unavailable tax revenue, GAAP basis	(338,934)
Per Exhibit 3 (GAAP basis)	<u>\$ 2,954,409</u>

The Expendable Trust Fund is not formally budgeted.

II.C. Deficit Fund Balance – Water Fund

The Water Fund had a deficit fund balance at June 30, 2016 of \$81,769, which resulted from operating expenditures exceeding revenue by that amount. This deficit will be covered by a transfer from the General Fund to subsidize the Water Fund, which happens on an annual basis until there are more water users to make this fund self-sufficient.

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 \$19,937,750, which represented bank balances of \$19,657,847, of which \$215,274, consisting of money market funds, was uninsured and uncollateralized.

III.A.2. *Investments*

As of June 30, 2016, the Town had the following investments:

U.S. Government Obligations	\$ 664,503
U.S. Government Agencies	2,914,474
Mutual Funds	271,240
Corporate Bonds	<u>3,263,172</u>
	<u>\$ 7,113,389</u>

The investments appear in the financial statements as follow:

Fund reporting level:	
Governmental funds - balance sheet (Exhibit 3)	\$ 5,622,980
Fiduciary funds - statement of fiduciary net position (Exhibit 8)	1,490,409
Total	<u>\$ 7,113,389</u>

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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.

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 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 2015 property taxes on May 9.

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.

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The net assessed valuation as of April 1, 2015, upon which the 2015 property tax levy was based was:

For the New Hampshire education tax	\$ 893,241,174
For all other taxes	\$1,085,097,061

The tax rates and amounts assessed for the year ended June 30, 2016 were as follow:

	Per \$1,000 of Assessed Valuation	
Municipal portion	\$6.71	\$ 7,275,739
School portion:		
State of New Hampshire	\$2.38	2,123,841
Local	\$16.48	17,887,682
County portion	\$2.97	<u>3,224,791</u>
Total property taxes assessed		<u><u>\$ 30,512,053</u></u>

The following details the taxes receivable at year-end:

Property:		
Levy of 2016		\$ 2,594,902
Unredeemed (under tax lien):		
Levy of 2015		273,550
Levy of 2014		146,149
Levy of 2013		14,841
Land use change		9,480
Yield		435
Less: allowance for estimated uncollectible taxes		<u>(50,000)</u>
Net taxes receivable		<u><u>\$ 2,989,357</u></u>

Other Receivables and Uncollectible/Unavailable Accounts

Other receivables include amounts due for sewer, ambulance, water, police, landfill, remediation, 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.

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Related amounts are as follow:

Accounts	\$ 342,117
Intergovernmental	3,258
Less: allowance for uncollectible amounts	<u>(119,376)</u>
Net total receivables	<u><u>\$ 225,999</u></u>

Deferred revenue in the governmental funds consists of \$338,934 of taxes, \$24,234 of ambulance charges, and \$18,724 of installment payments on land purchases that were not received within sixty days of year-end; and \$3,586,183 of property taxes committed for the fiscal year 2017, \$30,131 of summer recreation fees collected in advance, \$39,023 of tax overpayments to be applied to subsequent billing, \$32,537 of installment payments for land purchases, \$500 of a wellness grant, and \$391 of sewer overpayments. 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, 2016

III.A.4. Capital Assets

Changes in Capital Assets

The following table provides a summary of changes in capital assets:

	Balance, beginning	Additions	Deletions	Balance, ending
Governmental activities:				
At cost:				
Not being depreciated:				
Land	\$ 7,542,889	\$ -	\$ -	\$ 7,542,889
Construction in progress	820,669	294,147	(338,932)	775,884
Total capital assets not being depreciated	<u>8,363,558</u>	<u>294,147</u>	<u>(338,932)</u>	<u>8,318,773</u>
Being depreciated:				
Vehicles	3,741,318	82,089	(81,315)	3,742,092
Buildings and building improvements	3,854,596	28,010	-	3,882,606
Machinery and equipment	2,928,808	81,807	-	3,010,615
Sewer lines	1,703,756	-	-	1,703,756
Roads	42,275,598	240,045	-	42,515,643
Bridges	1,052,895	-	-	1,052,895
Water and sewer system	13,740,462	-	-	13,740,462
Other infrastructure	258,128	344,478	-	602,606
Total capital assets being depreciated	<u>69,555,561</u>	<u>776,429</u>	<u>(81,315)</u>	<u>70,250,675</u>
Total all capital assets	<u>77,919,119</u>	<u>1,070,576</u>	<u>(420,247)</u>	<u>78,569,448</u>
Less accumulated depreciation:				
Vehicles	(2,310,071)	(293,189)	81,315	(2,521,945)
Buildings and building improvements	(1,050,214)	(55,139)	-	(1,105,353)
Machinery and equipment	(2,309,477)	(126,210)	-	(2,435,687)
Sewer lines	(761,127)	(34,075)	-	(795,202)
Roads	(22,704,947)	(857,268)	-	(23,562,215)
Bridges	(465,606)	(16,882)	-	(482,488)
Water and sewer system	(834,324)	(9,897)	-	(844,221)
Other infrastructure	(46,851)	(12,652)	-	(59,503)
Total accumulated depreciation	<u>(30,482,617)</u>	<u>(1,405,312)</u>	<u>81,315</u>	<u>(31,806,614)</u>
Net book value, capital assets being depreciated	<u>39,072,944</u>	<u>(628,883)</u>	<u>-</u>	<u>38,444,061</u>
Net book value, all capital assets	<u><u>\$ 47,436,502</u></u>	<u><u>\$ (334,736)</u></u>	<u><u>\$ (338,932)</u></u>	<u><u>\$ 46,762,834</u></u>

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

Governmental activities:		
General government		\$ 13,309
Public safety		234,801
Highways and streets		1,067,300
Sanitation		47,861
Culture and recreation		42,041
Total depreciation expense		<u><u>\$ 1,405,312</u></u>

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

III.B. Liabilities

III.B.1. *Intergovernmental Payable*

The amounts due to other governments at June 30, 2016 consist of \$3,497 of miscellaneous fees due to the State of New Hampshire, and the portions of the June property tax commitment due to the School District (\$10,076,279) and Merrimack County (\$1,586,773).

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 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 thirty years after closure. 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 length of time monitoring is expected to continue. 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 6/30/2016	Current Portion
General obligation bonds payable:						
Land purchase	\$880,600	2007	2023	4.0-5.0	\$ 405,000	\$ 60,000
Water/sewer system	\$ 2,212,020	2008	2029	4.0-5.25	1,430,000	110,000
Water/sewer project	\$ 9,805,300	2011	2027	2.0-4.0	7,185,000	655,000
					9,020,000	825,000
					288,540	26,232
Unamortized bond premium						
Compensated absences payable:						
Vested sick leave					57,840	2,248
Accrued vacation leave					207,559	15,399
Compensatory time					11,164	-
					276,563	17,647
Other postemployment benefits payable					898,264	-
Accrued landfill postclosure care costs					90,000	9,000
Net pension liability					5,012,730	-
					\$ 15,586,097	\$ 877,879

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The following is a summary of changes in the long-term liabilities for the year ended June 30, 2016:

	General Obligation Bonds Payable	Unamortized Bond Premium	Compensated Absences Payable	OPEB Liability	Accrued Landfill Postclosure Care Costs	Net Pension Liability	Total
Beginning	\$ 9,890,000	\$ 314,772	\$ 277,425	\$ 804,574	\$ 99,000	\$ 4,918,796	\$ 16,304,567
Additions	-	-	-	93,690	-	93,934	187,624
Reductions	(870,000)	(26,232)	(862)	-	(9,000)	-	(906,094)
Ending	<u>\$ 9,020,000</u>	<u>\$ 288,540</u>	<u>\$ 276,563</u>	<u>\$ 898,264</u>	<u>\$ 90,000</u>	<u>\$ 5,012,730</u>	<u>\$ 15,586,097</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
2017	\$ 825,000	\$ 329,001	\$ 1,154,001
2018	825,000	297,299	1,122,299
2019	825,000	265,601	1,090,601
2020	825,000	234,037	1,059,037
2021	820,000	206,562	1,026,562
2022-2026	3,920,000	589,901	4,509,901
2027-2029	980,000	35,206	1,015,206
Totals	<u>\$ 9,020,000</u>	<u>\$ 1,957,607</u>	<u>\$ 10,977,607</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.”

At year-end, there is \$93,971 due to the General Fund from the Nonmajor Funds, representing reimbursements for operating costs of \$91,072 from the Water Fund, \$2,622 from the Police Grants Fund and \$97 from the Baker Free 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

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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:			
	Expendable			
	General Fund	Trust Fund	Nonmajor Funds	Total
Transfers out:				
General fund	\$ -	\$ 480,000	\$ 224,216	\$ 704,216
Expendable trust fund	230,859	-	49,547	280,406
Nonmajor funds	84,727	-	-	84,727
	<u>\$ 315,586</u>	<u>\$ 480,000</u>	<u>\$ 273,763</u>	<u>\$ 1,069,349</u>

The transfers from the General Fund represent \$480,000 to the Expendable Trust Fund as voted by Town Meeting and \$224,216 to the Public Safety Building Fund to cover expenditures made. The transfers from the Expendable Trust Fund represent amounts appropriated. The amounts transferred to the General Fund from the Nonmajor Funds represent reimbursements of expenditures and the income from the Permanent Fund for cemetery care.

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 \$240,087 for perpetual care and \$26,916 for other purposes representing public trust funds reported as restricted to reflect purpose restrictions contained in trust indentures.

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, 2016

III.D.2. Components of Fund Balances

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

	Expendable		
	General Fund	Trust Fund	Nonmajor Funds
Nonspendable:			
Endowments	\$ -	\$ -	\$ 230,103
Tax deeded property	76,766	-	-
Total nonspendable	<u>76,766</u>	<u>-</u>	<u>230,103</u>
Restricted:			
General government	-	-	36,899
Public safety	-	-	636
Culture and recreation	-	-	116,885
Total restricted	<u>-</u>	<u>-</u>	<u>154,420</u>
Committed:			
Sanitation	-	-	977,056
Welfare	-	-	26,107
Culture and recreation	-	-	62,749
Conservation	-	-	289,944
Capital outlay	-	5,723,767	196,797
Total committed	<u>-</u>	<u>5,723,767</u>	<u>1,552,653</u>
Assigned:			
General government	1,000,000	-	-
Highways and streets	407,438	-	-
Culture and recreation	7,495	-	-
Total assigned	<u>1,414,933</u>	<u>-</u>	<u>-</u>
Unassigned			
Total fund balance	<u>\$ 4,446,108</u>	<u>\$ 5,723,767</u>	<u>\$ 1,855,407</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 is provided for the fiscal year. Contributions billed for fiscal year 2016 to be recorded as an insurance expenditure/expense

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

totaled \$69,252 for property/liability and \$66,117 for workers' compensation. 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.

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 2016, 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 2014, 2015 and 2016 were \$459,626, \$459,361 and \$497,074, respectively.

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

At June 30, 2016, the Town reported a liability of \$5,012,730 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities and school districts, actuarially determined. As of June 30, 2015, the Town's proportion was 0.1265%, which was a decrease of 0.0045% from its proportion measured as of June 30, 2014.

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

For the year ended June 30, 2016, the Town recognized pension expense of \$309,222. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ -	\$ 206,443
Net difference between projected and actual earnings on pension plan investments	321,816	455,787
Differences between expected and actual experience	-	109,999
Town contributions subsequent to the measurement date	<u>497,074</u> <u>\$ 818,890</u>	<u>-</u> <u>\$ 772,229</u>

The Town reported \$497,074 as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follow:

<u>Year Ended</u>	
<u>June 30,</u>	
2016	\$ (146,020)
2017	(146,020)
2018	(146,020)
2019	11,457
2020	<u>(23,810)</u> <u>\$ (450,413)</u>

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.75%
Salary increases	5.8% average, including inflation
Investment rate of return	7.75% per year

Mortality rates were based on the RP-2000 Mortality Table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements.

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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 7.75%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Town's proportionate share of net pension liability	\$ 6,598,607	\$ 5,012,730	\$ 3,660,760

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

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.

Subsequent Event: There are applications for tax abatements filed against the Town by utility companies. During the spring and summer of 2016, Eversource's case went to trial, and despite the Town's vigorous contesting of the litigation, the Court found in favor of the utility, and rendered a decision against the Town that will have a large negative effect on the Town's financial position. That decision is now under appeal to the New Hampshire Supreme Court. Management has assigned \$1,000,000 from the fiscal year 2016 fund balance to help offset the judgement if it should be upheld, and are working on the prudent management of cash flows to address it.

IV.D. 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

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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, 2016, there were eighteen retirees and spouses, and sixty-two active employees and spouses participating in the plan.

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 2016 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, 2016, 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)	\$ 209,366
Interest on Net OPEB Obligation (NOO)	20,114
Adjustment to ARC	<u>(28,905)</u>
Annual OPEB Cost (Expense)	200,575
Age Adjusted Contributions Made	<u>(106,885)</u>
Change in Net OPEB Obligation (NOO)	93,690
Net OPEB Obligation (NOO), beginning	<u>804,574</u>
Net OPEB Obligation (NOO), ending	<u><u>\$ 898,264</u></u>

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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 2016 and the preceding three years were as follow:

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

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2016, 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	\$1,815,743
UAAL as a Percentage of Covered Payroll	80.73%

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.

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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 2016 were used as the basis for calculation of the present value of total benefits to be paid.

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%

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

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

	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
Town's proportion of net pension liability	0.1265%	0.1310%	0.1329%
Town's proportionate share of the net pension liability	\$ 5,012,730	\$ 4,918,796	\$ 5,719,047
Town's covered-employee payroll	\$ 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	180.53%	181.78%	216.76%
Plan fiduciary net position as a percentage of the total pension liability	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 Town Contributions
New Hampshire Retirement System

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

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 fourth year that the Town has reported the OPEB schedule, and the second year that the Town has presented the pension schedules, only four and three 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, 2016

	Special Revenue Funds										Capital Projects Funds			Permanent Fund	Total
	Baker Free Library	Recreation Revolving	Recreation Fields	Heritage	Conservation Commission	Water	Sewer	300th Anniversary	Welfare Holiday Baskets	Celebrating Children	Police Grants	Public Safety Building	Dunklee Road Bridge		
ASSETS															
Cash and cash equivalents	\$ 116,982	\$ 50,350	\$ 9,325	\$ 19,631	\$ 289,944	\$ -	\$ 926,389	\$ 1,786	\$ 26,107	\$ 8,222	\$ -	\$ 149,233	\$ 207,717	\$ 16,392	\$ 1,822,078
Investments														250,610	250,610
Receivables:															
Accounts	-	-	-	-	-	-	9,484	51,580	-	-	-	-	-	-	61,064
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,258
Total assets	\$ 116,982	\$ 50,350	\$ 9,325	\$ 19,631	\$ 289,944	\$ 9,484	\$ 977,969	\$ 1,786	\$ 26,107	\$ 8,222	\$ 3,258	\$ 149,233	\$ 207,717	\$ 267,002	\$ 2,137,010
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES															
Liabilities:															
Accounts payable	\$ -	\$ 535	\$ -	\$ -	\$ -	\$ 181	\$ 522	\$ -	\$ -	\$ -	\$ -	\$ 113	\$ -	\$ -	\$ 1,351
Contracts payable	-	-	-	-	-	-	-	-	-	-	-	144,620	10,920	-	155,540
Retainable payable	-	-	-	-	-	-	-	-	-	-	-	-	4,500	-	4,500
Interfund payable	97	-	-	-	-	91,072	-	-	-	-	2,622	-	-	-	93,791
Total liabilities	97	535	-	-	-	91,253	522	-	-	-	2,622	149,233	10,920	-	255,182
Deferred inflows of resources:															
Deferred revenue	-	26,030	-	-	-	-	391	-	-	-	-	-	-	-	26,421
Fund balances:															
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	-	-	230,103	230,103
Restricted	116,885	-	-	-	-	-	-	-	-	-	636	-	-	36,899	154,420
Committed	-	23,785	9,325	19,631	289,944	-	977,056	1,786	26,107	8,222	-	-	196,797	-	1,552,653
Unassigned	-	-	-	-	-	(81,769)	-	-	-	-	-	-	-	-	(81,769)
Total fund balances	116,885	23,785	9,325	19,631	289,944	(81,769)	977,056	1,786	26,107	8,222	636	-	196,797	267,002	1,855,407
Total liabilities, deferred inflows of resources, and fund balances	\$ 116,982	\$ 50,350	\$ 9,325	\$ 19,631	\$ 289,944	\$ 9,484	\$ 977,969	\$ 1,786	\$ 26,107	\$ 8,222	\$ 3,258	\$ 149,233	\$ 207,717	\$ 267,002	\$ 2,137,010

EXHIBIT 13
TOWN OF BOW, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2016

	Special Revenue Funds												Capital Projects Funds				
	Baker Free Library	Recreation Revolving	Recreation Fields	Heritage	Conservation Commission	Water	Sewer	300th Anniversary	Welfare Holiday Baskets	Police Outside Detail	Celebrating Children	Police Grants	Public Safety Building	Dunklee Road Intersection	Dunklee Road Bridge	Permanent Fund	Total
REVENUES																	
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 80,520	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80,520
Charges for services		44,354	8,850	13	935	302	48,651	201,266		2	5,364	77,469					481,256
Miscellaneous	19,033	17	8,863	935	80,822	48,651	201,266	2	5,364	100,666	77,469	3,895	3,303			(1,822)	31,042
Total revenues	19,033	44,371	8,863	935	80,822	48,651	201,266	2	5,364	100,666	77,469	3,895	3,303			(1,822)	592,818
EXPENDITURES																	
Current:																	
General government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	922	922
Public safety	-	-	-	-	-	-	-	-	100,666	-	3,259	-	-	-	-		103,925
Sanitation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		108,488
Water distribution and treatment	-	-	-	-	-	130,420	-	-	-	-	-	-	-	-	-		130,420
Welfare	-	-	-	-	-	-	-	-	-	3,413	-	-	-	-	-		3,413
Culture and recreation	8,090	37,435	-	20	-	-	-	-	-	-	70,952	-	-	-	-		116,497
Conservation	-	-	-	-	1,604	-	-	-	-	-	-	-	-	-	-		1,604
Capital outlay	-	-	14,401	-	1,604	130,420	108,488	-	3,413	100,666	70,952	3,259	227,519	49,547	47,670	-	339,137
Total expenditures	8,090	37,435	14,401	20	1,604	130,420	108,488		3,413	100,666	70,952	3,259	227,519	49,547	47,670	922	804,406
Excess (deficiency) of revenues over (under) expenditures	10,943	6,936	(5,538)	915	79,218	(81,769)	92,778	2	1,951	-	6,517	636	(224,216)	(49,547)	(47,670)	(2,744)	(211,588)
Other financing sources (uses):																	
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-	224,216	49,547	-	-	273,763
Transfers out	-	-	-	-	(80,520)	-	-	-	-	-	-	-	-	-	(4,207)	(84,727)	
Total other financing sources and uses	-	-	-	-	(80,520)	-	-	-	-	-	-	-	224,216	49,547	-	(4,207)	189,036
Net change in fund balances	10,943	6,936	(5,538)	915	(1,302)	(81,769)	92,778	2	1,951	-	6,517	636	-	-	(47,670)	(6,951)	(22,552)
Fund balances, beginning	105,942	16,849	14,863	18,716	291,246	\$ (81,769)	884,278	1,784	24,156	-	1,705	-	-	244,467	273,953	1,877,959	
Fund balances, ending	116,885	\$ 23,785	\$ 9,325	\$ 19,631	\$ 289,944	\$ (81,769)	\$ 977,056	\$ 1,786	\$ 26,107	\$ -	\$ 8,222	\$ 636	\$ -	\$ 196,797	\$ 267,002	\$ 1,855,407	

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, 2016

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 6,820,324	\$ 6,989,585	\$ 169,261
Land use change	-	530	530
Timber	12,750	5,856	(6,894)
Excavation	2,500	9,225	6,725
Other taxes	30	-	(30)
Interest and penalties on delinquent taxes	102,000	98,810	(3,190)
Total taxes	6,937,604	7,104,006	166,402
Licenses, permits and fees:			
Business licenses and permits	30,000	39,267	9,267
Motor vehicle permits	1,900,000	2,124,297	224,297
Building permits	55,000	65,045	10,045
Other	8,615	10,421	1,806
Total licenses, permits and fees	1,993,615	2,239,030	245,415
Intergovernmental:			
State sources:			
Meals and rooms distributions	367,303	367,303	-
Highway block grant	211,786	216,883	5,097
Water pollution grant	8,692	8,692	-
State and federal forest land	78	73	(5)
Railroad tax	1,286	1,286	-
Communications grant	-	10,717	10,717
Total intergovernmental	589,145	604,954	15,809
Charges for services:			
Income from departments	675,700	524,753	(150,947)
Miscellaneous:			
Sale of property	25,000	-	(25,000)
Interest on investments	10,000	25,700	15,700
Other	159,500	13,679	(145,821)
Total miscellaneous	194,500	39,379	(155,121)
Other financing sources:			
Transfers in:			
Expendable trust fund	444,200	230,859	(213,341)
Nonmajor funds	22,000	84,727	62,727
Total other financing sources	466,200	315,586	(150,614)
Total revenues and other financing sources	10,856,764	\$ 10,827,708	\$ (29,056)
Use of fund balance		496,000	
Total revenues, other financing sources and use of fund balance		\$ 11,352,764	

EXHIBIT 15
TOWN OF BOW, NEW HAMPSHIRE
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2016

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 276,314	\$ 296,181	\$ -	\$ (19,867)
Election and registration	-	222,553	212,626	-	9,927
Financial administration	-	531,683	870,251	-	(338,568)
Legal	-	131,800	167,079	-	(35,279)
Personnel administration	-	9,800	6,549	-	3,251
Planning and zoning	-	256,210	306,888	-	(50,678)
General government buildings	-	63,668	49,703	-	13,965
Cemeteries	-	22,200	25,008	-	(2,808)
Insurance, not otherwise allocated	-	63,758	69,252	-	(5,494)
Total general government	-	<u>1,577,986</u>	<u>2,003,537</u>	-	<u>(425,551)</u>
Public safety:					
Police	-	2,125,509	1,787,750	-	337,759
Fire and rescue	2,670	1,186,229	1,091,123	-	97,776
Building inspection	-	121,527	105,878	-	15,649
Emergency management	-	17,848	13,955	-	3,893
Total public safety	<u>2,670</u>	<u>3,451,113</u>	<u>2,998,706</u>	-	<u>455,077</u>
Highways and streets:					
Administration	-	1,298,927	1,216,518	-	82,409
Highways and streets	32,900	588,530	425,672	48,185	147,573
Street lighting	-	36,800	34,745	-	2,055
Total highways and streets	<u>32,900</u>	<u>1,924,257</u>	<u>1,676,935</u>	<u>48,185</u>	<u>232,037</u>
Sanitation:					
Solid waste disposal	-	<u>721,109</u>	<u>682,800</u>	<u>5,608</u>	<u>32,701</u>
Health:					
Administration	-	2,345	2,419	-	(74)
Health agencies and hospitals	-	4,450	4,450	-	-
Total health	-	<u>6,795</u>	<u>6,869</u>	-	<u>(74)</u>
Welfare:					
Administration	-	6,317	2,752	-	3,565
Direct assistance	-	6,500	2,529	-	3,971
Total welfare	-	<u>12,817</u>	<u>5,281</u>	-	<u>7,536</u>
Culture and recreation:					
Parks and recreation	4,093	335,680	314,238	7,495	18,040
Public library	-	520,541	501,164	-	19,377
Patriotic purposes	-	500	500	-	-
Other	-	1,750	2,676	-	(926)
Total culture and recreation	<u>4,093</u>	<u>858,471</u>	<u>818,578</u>	<u>7,495</u>	<u>36,491</u>
Economic development	<u>360</u>	<u>14,615</u>	<u>13,056</u>	-	<u>1,919</u>

(continued)

EXHIBIT 15 (continued)
TOWN OF BOW, NEW HAMPSHIRE
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2016

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal	-	870,000	870,000	-	-
Interest on long-term debt	-	358,691	358,691	-	-
Interest on tax anticipation note	-	1	-	-	1
Total debt service	-	1,228,692	1,228,691	-	1
Capital outlay:					
Machinery, vehicles and equipment	-	247,000	100,834	-	146,166
Buildings	8,030	235,000	115,957	8,145	118,928
Improvements other than buildings	319,500	531,700	399,267	345,500	106,433
Total capital outlay	327,530	1,013,700	616,058	353,645	371,527
Other financing uses:					
Transfers out:					
Expendable trust fund	-	480,000	480,000	-	-
Nonmajor funds	-	63,209	224,216	-	(161,007)
Total other financing uses	-	543,209	704,216	-	(161,007)
Total encumbrances, appropriations, expenditures and other financing uses	\$ 367,553	\$ 11,352,764	\$ 10,754,727	\$ 414,933	\$ 550,657

EXHIBIT 16
TOWN OF BOW, NEW HAMPSHIRE
General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2016

Unassigned fund balance, beginning	\$ 3,271,333
Changes:	
Unassigned fund balance voted to be used	\$ 146,000
Unassigned fund balance used to reduce tax rate	<u>350,000</u>
Total use of fund balance	(496,000)
Budget summary:	
Revenue shortfall (Exhibit 14)	\$ (29,056)
Unexpended balance of appropriations (Exhibit 15)	<u>550,657</u>
Budget surplus	521,601
Increase in nonspendable fund balance	<u>(3,591)</u>
Unassigned fund balance, ending	<u><u>\$ 3,293,343</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

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

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 14, 2017

Roberts & Sheene, PLLC