

TOWN OF BOW, NEW HAMPSHIRE

FINANCIAL REPORT

AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

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Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Bow, as of and for the fiscal year ended June 30, 2019, 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, 2019, 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, and pension and OPEB information on pages 3-8 and 39-43 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 13, 2020

Robert & 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, 2019.

Financial Highlights

As of June 30, 2019, the assets of the Town exceeded its liabilities by \$43,006,099 (net position). Of this amount, \$2,918,537 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.

The Town's net position increased by \$2,910,562.

As of June 30, 2019, the Town's governmental funds reported combined ending fund balances of \$10,009,583, an increase of \$2,952,508 in comparison with the prior year.

As of June 30, 2019, the \$1,397,826 unassigned fund balance of the General Fund represented 12% of total General Fund expenditures.

During the year ended June 30, 2019, the Town's total general obligation bonded debt decreased by \$1,065,000, representing bond principal payments.

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, 2019. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 \$43,006,099 at June 30, 2019.

The largest portion of the Town's net position (92%) 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, 2019</u>	<u>June 30, 2018</u>
Current assets	\$ 27,528,493	\$ 24,027,877
Capital assets	<u>49,738,603</u>	<u>50,952,319</u>
Total assets	77,267,096	74,980,196
Deferred outflows of resources	1,271,973	1,348,365
Long-term liabilities outstanding	18,122,147	18,719,079
Current liabilities	<u>12,137,579</u>	<u>12,142,003</u>
Total liabilities	30,259,726	30,861,082
Deferred inflows of resources	5,273,244	4,923,655
Net position:		
Invested in capital assets, net of related debt	39,493,942	39,577,297
Restricted	593,620	596,687
Unrestricted	<u>2,918,537</u>	<u>369,840</u>
Total net position	\$ 43,006,099	\$ 40,543,824

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

As indicated by the schedule below, the Town's net position increased by \$2,910,562 during the year ended June 30, 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Bow Changes in Net Position

	Year Ended <u>June 30, 2019</u>	Year Ended <u>June 30, 2018</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,179,170	\$ 1,084,753
Operating grants and contributions	40,014	93,232
Capital grants and contributions	227,037	413,377
General revenues:		
Property taxes and other taxes	9,467,048	8,499,904
Licenses and permits	2,465,357	2,451,789
Unrestricted grants and contributions	425,754	411,521
Miscellaneous	<u>632,560</u>	<u>271,401</u>
Total revenues	14,436,940	13,225,977
Expenses:		
General government	2,154,164	2,102,592
Public safety	3,311,506	3,154,154
Highways and streets	2,779,287	2,798,926
Sanitation	966,784	915,094
Water distribution and treatment	84,089	89,717
Health and welfare	13,743	10,948
Culture and recreation	919,945	938,009
Conservation	31,087	6,896
Interest on long-term debt	317,181	365,692
Capital outlay	<u>948,592</u>	<u>234,434</u>
Total expenses	<u>11,526,378</u>	<u>10,616,462</u>
Change in net position	2,910,562	2,609,515
Net position – July 1	<u>40,095,537</u>	<u>37,934,309</u>
Net position – June 30	\$43,006,099	\$40,543,824

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, 2019, the Town's governmental funds reported combined fund balances of \$10,009,583, an increase of \$2,952,508 in comparison to the prior year. This amount consists of: non-spendable fund balances of \$362,788 representing, tax deeded property for resale, prepaid

MANAGEMENT'S DISCUSSION AND ANALYSIS

expenditures and the non-spendable portion of permanent funds; restricted fund balances of \$315,719 representing the library fund and the expendable portion of permanent funds; committed fund balances of \$6,097,995 representing designations by Town Meeting votes for future expenditures and the special revenue and capital project funds; assigned fund balances of \$1,835,255 representing purchase orders or encumbrances authorized by the Board of Selectmen; and a General Fund unassigned fund balance of 1,397,826.

The General Fund is the chief operating fund of the Town. As of June 30, 2019, the unassigned fund balance of the General Fund was \$1,397,826, while total fund balance amounted to \$3,522,873.

During the year ended June 30, 2019, the unassigned fund balance of the General Fund increased by \$1,140,638.

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, 2019. Actual revenues and transfers in of the General Fund were over budgetary estimates by \$1,182,661, while expenditures and transfers out were \$305,773 under budget. This produced a favorable total variance of \$1,488,434.

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets as of June 30, 2019 amounted to \$39,493,942 (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 \$83,355 compared to the investment in capital assets at July 1, 2018, which is primarily the result of depreciation.

Town of Bow Investment in Capital Assets

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Land	\$ 7,542,890	\$ 7,542,889
Buildings and improvements	9,133,197	9,074,999
Machinery, equipment, and vehicles	7,751,944	7,573,336
Infrastructure	58,539,331	57,911,606
Sewer lines	1,703,756	1,703,756
Construction in progress	<u>544,687</u>	<u>1,151,366</u>
Total investment in capital assets	85,215,804	84,957,954
Related long-term debt	(10,244,660)	(11,375,022)
Accumulated depreciation	<u>(35,477,201)</u>	<u>(34,005,635)</u>
Net investment in capital assets	\$ 39,493,943	\$39,577,297

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-term bonded debt. As of June 30, 2019, the Town had total long-term bonded debt outstanding of \$9,635,000. The entire amount is backed by the full faith and credit of the Town.

y the full faith and credit of the Town.

Town of Bow Long-Term Bonded Debt

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
2007 land acquisition bonds	225,000	285,000
2012 water and sewer system bonds	5,220,000	5,875,000
2008 water and sewer system bonds	1,100,000	1,210,000
2016 public safety bond	<u>3,090,000</u>	<u>3,330,000</u>
Total long-term debt	\$9,635,000	\$10,700,000

There were no authorized but unissued bonds at June 30, 2019.

Economic Factors and Next Year's Budget and Tax Rate

Economic factors. The general outlook for Bow's economy seems to be stable. Based on New Hampshire Office of Employment Security estimates, Bow's population has increased by 4% since the 2010 census and by 9% since the 2000 census. The median household income in Bow has long been considerably greater than state and national averages. Furthermore, the unemployment rate for Bow has decreased from 2.2% to 2.0% during the past year, and still compares very favorably with state and national rates of 2.3% and 3.5%, 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, 2019

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 18,558,557
Investments	4,382,361
Receivables, net of allowance for uncollectibles	4,503,688
Prepaid items	56,847
Tax deeded property held for resale	27,040
Capital assets, not being depreciated:	
Land	7,542,890
Construction in progress	544,687
Capital assets, net of accumulated depreciation:	
Vehicles	1,200,166
Buildings and building improvements	7,815,944
Machinery and equipment	872,958
Sewer lines	806,329
Roads	16,397,845
Bridges	1,186,087
Water and sewer system	12,866,550
Other infrastructure	505,147
Total assets	<u>77,267,096</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pensions	1,158,601
Deferred amounts related to OPEB	<u>113,372</u>
Total deferred outflows of resources	<u>1,271,973</u>
 LIABILITIES	
Accounts payable	324,685
Accrued payroll and benefits	90,524
Accrued interest payable	137,201
Intergovernmental payable	11,289,909
Performance and escrow deposits	295,260
Noncurrent obligations:	
Due within one year:	
Bonds payable	1,065,000
Unamortized bond premium	54,305
Capital leases payable	11,812
Accrued landfill postclosure care costs	9,000
Due in more than one year:	
Bonds payable	8,570,000
Unamortized bond premium	520,500
Capital leases payable	23,042
Compensated absences payable	313,962
Accrued landfill postclosure care costs	81,000
Net pension liability	6,227,647
Total OPEB liability	<u>1,245,879</u>
Total liabilities	<u>30,259,726</u>
 DEFERRED INFLOWS OF RESOURCES	
Unearned revenue	4,963,511
Deferred amounts related to pensions	307,723
Deferred amounts related to OPEB	<u>2,010</u>
Total deferred inflows of resources	<u>5,273,244</u>
 NET POSITION	
Net investment in capital assets	39,493,942
Restricted for:	
Perpetual care:	
Nonexpendable	252,027
Expendable	41,340
Other purposes	300,253
Unrestricted	<u>2,918,537</u>
Total net position	<u>\$ 43,006,099</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, 2019

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 2,154,164	\$ 67,324	\$ 18,963	\$ -	\$ (2,067,877)
Public safety	3,311,506	350,355	17,326	-	(2,943,825)
Highways and streets	2,779,287	20,870	-	227,037	(2,531,380)
Sanitation	966,784	379,509	-	-	(587,275)
Water distribution and treatment	84,089	87,158	-	-	3,069
Health	6,404	-	1,000	-	(5,404)
Welfare	7,339	-	-	-	(7,339)
Culture and recreation	919,945	273,954	843	-	(645,148)
Conservation	31,087	-	1,882	-	(29,205)
Interest on long-term debt	317,181	-	-	-	(317,181)
Capital outlay	948,592	-	-	-	(948,592)
Total governmental activities	<u>\$ 11,526,378</u>	<u>\$ 1,179,170</u>	<u>\$ 40,014</u>	<u>\$ 227,037</u>	<u>(10,080,157)</u>
General revenues:					
Property taxes					9,219,105
Other taxes					247,943
Licenses and permits					2,465,357
Grants and contributions not restricted to specific programs					425,754
Miscellaneous					632,560
Total general revenues					<u>12,990,719</u>
Change in net position					<u>2,910,562</u>
Net position, beginning, as restated, see Note III.D.3.					<u>40,095,537</u>
Net position, ending					<u>\$ 43,006,099</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, 2019

	General	Expendable Trust	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 16,157,547	\$ 236,374	\$ 2,164,636	\$ 18,558,557
Investments	-	4,086,663	295,698	4,382,361
Receivables, net of allowance for uncollectibles:				
Taxes	4,331,801	-	-	4,331,801
Accounts	83,054	-	88,833	171,887
Interfund receivable	358,776	-	7,879	366,655
Prepaid items	56,847	-	-	56,847
Tax deeded property held for resale	27,040	-	-	27,040
Total assets	<u>\$ 21,015,065</u>	<u>\$ 4,323,037</u>	<u>\$ 2,557,046</u>	<u>\$ 27,895,148</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 305,537	\$ -	\$ 19,148	\$ 324,685
Accrued salaries and benefits	90,524	-	-	90,524
Intergovernmental payable	11,289,909	-	-	11,289,909
Interfund payable	-	347,496	19,159	366,655
Escrow and performance deposits	295,260	-	-	295,260
Total liabilities	<u>11,981,230</u>	<u>347,496</u>	<u>38,307</u>	<u>12,367,033</u>
Deferred inflows of resources:				
Deferred revenue	<u>5,510,962</u>	<u>-</u>	<u>7,570</u>	<u>5,518,532</u>
Fund balances:				
Nonspendable	83,887	-	278,901	362,788
Restricted	-	-	315,719	315,719
Committed	205,905	3,975,541	1,916,549	6,097,995
Assigned	1,835,255	-	-	1,835,255
Unassigned	<u>1,397,826</u>	<u>-</u>	<u>-</u>	<u>1,397,826</u>
Total fund balances	<u>3,522,873</u>	<u>3,975,541</u>	<u>2,511,169</u>	<u>10,009,583</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 21,015,065</u>	<u>\$ 4,323,037</u>	<u>\$ 2,557,046</u>	<u>\$ 27,895,148</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, 2019

Total fund balances of governmental funds (Exhibit 3)		\$ 10,009,583
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	\$ 85,215,804	
Less accumulated depreciation	<u>(35,477,201)</u>	
		49,738,603
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	\$ (366,655)	
Payables	<u>366,655</u>	
		-
Revenues that are not available to pay for current period expenditures are deferred in the funds.		
Unavailable tax revenue	\$ 539,023	
Unavailable ambulance revenue	<u>15,998</u>	
		555,021
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(137,201)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes outstanding	\$ 9,635,000	
Unamortized bond premium	574,805	
Capital leases outstanding	34,854	
Compensated absences payable	313,962	
Accrued landfill postclosure care costs	90,000	
Net pension liability	6,227,647	
Total OPEB liability	<u>1,245,879</u>	
		(18,122,147)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	\$ 1,158,601	
Deferred outflows of resources related to OPEB	113,372	
Deferred inflows of resources related to pensions	(307,723)	
Deferred inflows of resources related to OPEB	<u>(2,010)</u>	
		962,240
Total net position of governmental activities (Exhibit 1)		<u>\$ 43,006,099</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, 2019

	General	Expendable Trust	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 9,130,462	\$ -	\$ 140,290	\$ 9,270,752
Licenses, permits and fees	2,465,357	-	-	2,465,357
Intergovernmental	652,791	-	19,208	671,999
Charges for services	498,305	-	704,875	1,203,180
Miscellaneous	353,859	203,176	90,741	647,776
Total revenues	<u>13,100,774</u>	<u>203,176</u>	<u>955,114</u>	<u>14,259,064</u>
Expenditures:				
Current:				
General government	1,974,471	60,213	2,683	2,037,367
Public safety	2,853,830	-	92,732	2,946,562
Highways and streets	1,645,173	-	28,763	1,673,936
Sanitation	717,218	-	176,450	893,668
Water distribution and treatment	-	-	84,089	84,089
Health	5,995	-	409	6,404
Welfare	4,887	-	2,452	7,339
Culture and recreation	658,809	-	249,074	907,883
Conservation	-	-	31,087	31,087
Debt service:				
Principal	1,065,000	-	-	1,065,000
Interest	390,406	-	-	390,406
Capital outlay	1,074,522	-	188,293	1,262,815
Total expenditures	<u>10,390,311</u>	<u>60,213</u>	<u>856,032</u>	<u>11,306,556</u>
Excess of revenues over expenditures	<u>2,710,463</u>	<u>142,963</u>	<u>99,082</u>	<u>2,952,508</u>
Other financing sources (uses):				
Transfers in	710,695	510,582	213,977	1,435,254
Transfers out	(535,601)	(796,822)	(102,831)	(1,435,254)
Total other financing sources and uses	<u>175,094</u>	<u>(286,240)</u>	<u>111,146</u>	<u>-</u>
Net change in fund balances	2,885,557	(143,277)	210,228	2,952,508
Fund balances, beginning, as restated, see Note III.D.3.	637,316	4,118,818	2,300,941	7,057,075
Fund balances, ending	<u>\$ 3,522,873</u>	<u>\$ 3,975,541</u>	<u>\$ 2,511,169</u>	<u>\$ 10,009,583</u>

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, 2019

Net change in fund balances of governmental funds (Exhibit 5)		\$ 2,952,508
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	\$ 1,209,026	
Depreciation expense	<u>(1,528,766)</u>	(319,740)
The net effect of the disposal of capital assets is to decrease net position.		(897,803)
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$ (1,435,254)	
Transfers out	<u>1,435,254</u>	-
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in governmental funds.		
Change in unavailable tax revenue	\$ 195,469	
Change in unavailable ambulance revenue	<u>(18,420)</u>	177,049
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	\$ 1,065,000	
Amortization of bond premium	54,305	
Repayment of capital lease principal	<u>11,058</u>	1,130,363
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	\$ 18,920	
Decrease in compensated absences payable	3,791	
Decrease in net pension liability	74,519	
Increase in total OPEB liability and related deferrals	<u>(77,059)</u>	20,171
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	\$ 572,673	
Cost of benefits earned, net of employee contributions	<u>(724,659)</u>	(151,986)
Change in net position of governmental activities (Exhibit 2)		<u><u>\$ 2,910,562</u></u>

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

EXHIBIT 7
TOWN OF BOW, NEW HAMPSHIRE
General Fund
Statement of Revenues, Expenditures and Changes in Unassigned Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2019

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 8,573,503	\$ 9,325,931	\$ 752,428
Licenses, permits and fees	2,326,900	2,465,357	138,457
Intergovernmental	627,989	652,791	24,802
Charges for services	477,690	498,305	20,615
Miscellaneous	107,500	353,859	246,359
Total revenues	<u>12,113,582</u>	<u>13,296,243</u>	<u>1,182,661</u>
EXPENDITURES			
Current:			
General government	3,676,308	3,749,809	(73,501)
Public safety	2,907,496	2,791,764	115,732
Highways and streets	1,756,735	1,646,068	110,667
Sanitation	694,930	717,218	(22,288)
Health	5,896	5,995	(99)
Welfare	8,424	4,887	3,537
Culture and recreation	799,474	659,139	140,335
Debt service:			
Principal	1,065,000	1,065,000	-
Interest on long-term debt	392,406	390,406	2,000
Interest on tax anticipation note	1	-	1
Capital outlay	<u>1,133,567</u>	<u>1,104,178</u>	<u>29,389</u>
Total expenditures	<u>12,440,237</u>	<u>12,134,464</u>	<u>305,773</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(326,655)</u>	<u>1,161,779</u>	<u>1,488,434</u>
Other financing sources (uses):			
Transfers in	862,256	710,695	(151,561)
Transfers out	<u>(535,601)</u>	<u>(535,601)</u>	<u>-</u>
Total other financing sources and uses	<u>326,655</u>	<u>175,094</u>	<u>(151,561)</u>
Net change in fund balance	<u>\$ -</u>	<u>1,336,873</u>	<u>\$ 1,336,873</u>
Decrease in nonspendable fund balance		(766)	
Unassigned fund balance, beginning		600,742	
Unassigned fund balance, ending		<u>\$ 1,936,849</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, 2019

	<u>Agency</u>
Assets:	
Cash and cash equivalents	\$ 109,121
Investments	<u>1,878,146</u>
Total assets	<u>1,987,267</u>
Liabilities:	
School district funds	<u>1,987,267</u>
Net position	<u><u>\$ -</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, 2019

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, 2019.

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, 2019

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, 2019

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 Town Manager or 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 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.

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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.

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

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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, the balance of the library fund, and the balance of the grants fund that is restricted to specific uses per the respective donors.
- Unrestricted, which consists of the remaining balance of net position.

The governmental funds report the following components of fund balance:

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

I.C.5. *Use of Estimates*

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

II. Stewardship, Compliance and Accountability

II.A. Budgetary Information

An annual budget was adopted on a basis consistent with generally accepted accounting principles for the General Fund, as well as some of the nonmajor funds. Unless non-lapsing or encumbered, all governmental fund appropriations lapse at year-end. The Town is allowed to use beginning unassigned

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2019

fund balance to balance the budget, but none of the unassigned fund balance from fiscal year 2018 was so used.

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, 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)	\$ 14,006,938
Adjustments:	
Basis difference:	
Tax revenue deferred in the prior year	343,554
Tax revenue deferred in the current year	(539,023)
Per Exhibit 5 (GAAP basis)	<u>\$ 13,811,469</u>
Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	\$ 12,670,065
Adjustments:	
Basis difference:	
Encumbrances, beginning	297,007
Encumbrances, ending	(2,041,160)
Per Exhibit 5 (GAAP basis)	<u>\$ 10,925,912</u>
Unassigned fund balance:	
Per Exhibit 7 (budgetary basis)	\$ 1,936,849
Adjustment:	
Basis difference:	
Deferred tax revenue, GAAP basis	(539,023)
Per Exhibit 3 (GAAP basis)	<u>\$ 1,397,826</u>

The other major fund, the Expendable Trust Fund is not formally budgeted.

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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 \$18,667,678, which represented bank balances of \$17,882,280, of which \$121,178, consisting of money market funds, was uninsured and uncollateralized. These funds are invested in U.S. government obligations.

III.A.2. Investments

As of June 30, 2019, the Town had the following investments:

Certificates of Deposit	\$ 498,652
U.S. Government Agencies	4,012,821
US Treasury Obligations	100,066
Mutual Funds	305,257
Corporate Bonds	1,332,425
Mortgage Backed Securities	11,286
	<u>\$ 6,260,507</u>

The investments appear in the financial statements as follow:

Fund reporting level:	
Governmental funds - balance sheet (Exhibit 3)	\$ 4,382,361
Fiduciary funds - statement of fiduciary net position (Exhibit 7)	1,878,146
Total	<u>\$ 6,260,507</u>

Investment Policies

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

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.

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

Property Taxes Receivable and Property Tax Calendar

Property taxes are levied and collected by the Town on a semi-annual basis. Tax bills are due on or around July 1 and December 1, with interest of 12% per annum on all taxes not received by the due date. The first billing is an estimate only based on half of the previous year's billing. The final billing is levied based on an inventory taken in April of each year (the tax year runs 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 lien 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 2018 property taxes on June 3.

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

The net assessed valuation as of April 1, 2018, upon which the 2018 property tax levy was based was:

For the New Hampshire education tax	\$1,003,681,286
For all other taxes	\$1,163,760,273

The tax rates and amounts assessed for the year ended June 30, 2019 were as follow:

	Per \$1,000 of Assessed Valuation	
Municipal portion	\$8.09	\$ 9,416,680
School portion:		
State of New Hampshire	\$2.17	2,173,420
Local	\$14.56	16,942,745
County portion	\$2.96	3,449,044
Total property taxes assessed		<u>\$ 31,981,889</u>

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2019

The following details the taxes receivable at year-end:

Property:	
Levy of 2019	\$ 4,013,042
Unredeemed (under tax lien):	
Levy of 2018	219,409
Levy of 2017	130,043
Levy of 2016	19,307
Less: allowance for estimated uncollectible taxes	(50,000)
Net taxes receivable	<u>\$ 4,331,801</u>

Other Receivables and Uncollectible/Unavailable Accounts

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

Related amounts are as follow:

Accounts	\$ 400,992
Less: allowance for uncollectible amounts	(229,105)
Net total receivables	<u>\$ 171,887</u>

Deferred revenue in the governmental funds consists of \$539,023 of taxes, and \$15,998 of ambulance charges that were not received within sixty days of year-end; and \$4,924,131 of property taxes committed for the fiscal year 2020, \$31,810 of tax overpayments to be applied to the next billing, \$5,970 of sewer overpayments, and \$1,600 of fall preschool tuition collected in advance. In the governmental activities, the amounts that were not received within the sixty days are not considered to be deferred, and the other amounts are reported as unearned.

The notes continue on the following page.

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2019

III.A.4. Capital Assets

Changes in Capital Assets

The following provides a summary of changes in capital assets:

	Balance, beginning	Additions	Deletions	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 7,542,890	\$ -	\$ -	\$ 7,542,890
Construction in progress	1,151,366	73,245	(679,924)	544,687
Total capital assets not being depreciated	<u>8,694,256</u>	<u>73,245</u>	<u>(679,924)</u>	<u>8,087,577</u>
Being depreciated:				
Vehicles	4,336,220	335,581	(214,052)	4,457,749
Buildings and building improvements	9,074,999	58,198	-	9,133,197
Machinery and equipment	3,237,116	62,078	(5,000)	3,294,194
Sewer lines	1,703,756	-	-	1,703,756
Roads	42,515,644	-	-	42,515,644
Bridges	1,052,895	679,924	(52,200)	1,680,619
Water and sewer system	13,740,462	-	-	13,740,462
Other infrastructure	602,606	-	-	602,606
Total capital assets being depreciated	<u>76,263,698</u>	<u>1,135,781</u>	<u>(271,252)</u>	<u>77,128,227</u>
Total all capital assets	<u>84,957,954</u>	<u>1,209,026</u>	<u>(951,176)</u>	<u>85,215,804</u>
Less accumulated depreciation:				
Vehicles	(2,920,070)	(337,513)	-	(3,257,583)
Buildings and building improvements	(1,204,047)	(113,206)	-	(1,317,253)
Machinery and equipment	(2,282,781)	(143,455)	5,000	(2,421,236)
Sewer lines	(863,352)	(34,075)	-	(897,427)
Roads	(25,270,311)	(847,488)	-	(26,117,799)
Bridges	(516,252)	(30,480)	52,200	(494,532)
Water and sewer system	(864,015)	(9,897)	-	(873,912)
Other infrastructure	(84,807)	(12,652)	-	(97,459)
Total accumulated depreciation	<u>(34,005,635)</u>	<u>(1,528,766)</u>	<u>57,200</u>	<u>(35,477,201)</u>
Net book value, capital assets being depreciated	<u>42,258,063</u>	<u>(392,985)</u>	<u>(214,052)</u>	<u>41,651,026</u>
Net book value, all capital assets	<u>\$ 50,952,319</u>	<u>\$ (319,740)</u>	<u>\$ (893,976)</u>	<u>\$ 49,738,603</u>

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

Governmental activities:	
General government	\$ 77,522
Public safety	264,011
Highways and streets	1,090,364
Sanitation	73,116
Culture and recreation	23,753
Total depreciation expense	<u>\$ 1,528,766</u>

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2019

III.B. Liabilities

III.B.1. Intergovernmental Payable

The amounts due to other governments at June 30, 2019 consist of \$7,304 of miscellaneous fees due to the State of New Hampshire, and the portions of the June property tax commitment due to the School District (\$9,558,083) and Merrimack County (\$1,724,522).

III.B.2. Long-Term Liabilities

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

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

Long-term liabilities currently outstanding are as follow:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at 6/30/2019	Current Portion
General obligation bonds payable:						
Land purchase	\$880,600	2007	2023	4.00-5.00	\$ 225,000	\$ 60,000
Water/sewer system	\$2,212,020	2008	2029	4.00-5.25	1,100,000	110,000
Water/sewer project	\$9,805,300	2011	2027	2.00-4.00	5,220,000	655,000
Public safety bond	\$3,571,850	2017	2032	2.02-5.02	3,090,000	240,000
					<u>9,635,000</u>	<u>1,065,000</u>
Unamortized bond premium					<u>574,805</u>	<u>54,305</u>
Capital leases payable:						
Gym equipment	\$16,396	2017	2021		8,221	3,958
Telephone system	\$39,830	2018	2023		26,633	7,854
					<u>34,854</u>	<u>11,812</u>
Compensated absences payable					<u>313,962</u>	<u>-</u>
Accrued landfill postclosure care costs					<u>90,000</u>	<u>9,000</u>
Net pension liability					<u>6,227,647</u>	<u>-</u>
Total OPEB liability					<u>1,245,879</u>	<u>-</u>
					<u>\$ 18,122,147</u>	<u>\$ 1,140,117</u>

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2019

The following is a summary of changes in the long-term liabilities for the year ended June 30, 2019:

	General Obligation Bonds Payable	Unamortized Bond Premium	Capital Leases Payable	Compensated Absences Payable	Accrued Landfill Postclosure Care Costs	Net Pension Liability	Total OPEB Liability	Total
Balance, beginning	\$ 10,700,000	\$ 629,110	\$ 45,912	\$ 317,753	\$ 90,000	\$ 6,302,166	\$ 1,057,459	\$ 19,142,400
Additions	-	-	-	-	-	-	188,420	188,420
Reductions	(1,065,000)	(54,305)	(11,058)	(3,791)	-	(74,519)	-	(1,208,673)
Balance, ending	<u>\$ 9,635,000</u>	<u>\$ 574,805</u>	<u>\$ 34,854</u>	<u>\$ 313,962</u>	<u>\$ 90,000</u>	<u>\$ 6,227,647</u>	<u>\$ 1,245,879</u>	<u>\$ 18,122,147</u>

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

Year Ending June 30,	Principal	Interest	Total
2020	\$ 1,065,000	\$ 345,889	\$ 1,410,889
2021	1,060,000	304,104	1,364,104
2022	1,060,000	266,407	1,326,407
2023	1,060,000	224,215	1,284,215
2024	1,000,000	181,285	1,181,285
2025-2029	3,685,000	356,233	4,041,233
2030-2032	705,000	40,307	745,307
Totals	<u>\$ 9,635,000</u>	<u>\$ 1,718,440</u>	<u>\$ 11,353,440</u>

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

Year Ending June 30,	Principal	Interest	Total
2020	\$ 11,812	\$ 2,064	\$ 13,876
2021	12,618	1,258	13,876
2022	8,888	397	9,285
2023	1,536	12	1,548
Totals	<u>\$ 34,854</u>	<u>\$ 3,731</u>	<u>\$ 38,585</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.”

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2019

The following shows the interfund balances at June 30, 2019:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Expendable Trust	\$ 347,496
General	Nonmajor	11,280
Nonmajor	Nonmajor	7,879
		<u>\$ 366,655</u>

The amount due to the General Fund from the Expendable Trust Fund represents reimbursement for capital and health expenditures. The amount due to the General Fund from the Nonmajor Funds represents an amount from the Police Outside Detail Fund for revenue in excess of expenditures, and the amount due to the Nonmajor Funds from other Nonmajor Funds represents income earned on Library Trust Funds in the Permanent Fund due to the Library Fund.

III.C.2. Transfers

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

The following shows the transfers within the reporting entity:

	<u>Transfers In:</u>			
	<u>General Fund</u>	<u>Expendable Trust Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Transfers out:				
General fund	\$ -	\$ 510,582	\$ 25,019	\$ 535,601
Expendable trust fund	608,529	-	188,293	796,822
Nonmajor funds	102,166	-	665	102,831
	<u>\$ 710,695</u>	<u>\$ 510,582</u>	<u>\$ 213,977</u>	<u>\$ 1,435,254</u>

The transfers from the General Fund represent \$510,582 to the Expendable Trust Fund as voted by Town Meeting, and \$25,019 to the Library Fund as part of the appropriation. The transfers from the Expendable Trust Fund represent amounts to reimburse for expenditures made in accordance with the purposes of the accounts. The amounts transferred from the Nonmajor Funds represent \$72,338 from the Conservation Commission Fund to the General Fund toward the bond payment on the land purchase, \$29,828 from the Police Outside Detail Fund to the General Fund for excess revenue received, and \$665 of investment earnings in the Permanent Fund transferred to the Library Fund.

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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 \$293,367 for perpetual care and \$6,886 for other purposes representing public trust funds reported as restricted to reflect purpose restrictions contained in trust indentures.

III.D.2. Components of Fund Balances

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

	General Fund	Expendable Trust Fund	Nonmajor Funds
Nonspendable:			
Prepaid items	\$ 56,847	\$ -	\$ -
Tax deeded property	27,040	-	-
Endowments	-	-	278,901
Total nonspendable	<u>83,887</u>	<u>-</u>	<u>278,901</u>
Restricted:			
General government	-	-	41,340
Public safety	-	-	5,673
Highways and streets	-	-	160,746
Health	-	-	591
Culture and recreation	-	-	107,369
Total restricted	<u>-</u>	<u>-</u>	<u>315,719</u>
Committed:			
General government	-	-	5,804
Public safety	-	-	1,802
Sanitation	-	-	1,168,017
Water distribution and treatment	-	-	11,435
Welfare	-	-	35,963
Culture and recreation	-	-	162,331
Conservation	-	-	416,421
Capital outlay	205,905	3,975,541	114,776
Total committed	<u>205,905</u>	<u>3,975,541</u>	<u>1,916,549</u>
Assigned:			
General government	1,803,383	-	-
Public safety	6,395	-	-
Highways and streets	25,147	-	-
Culture and recreation	330	-	-
Total assigned	<u>1,835,255</u>	<u>-</u>	<u>-</u>
Unassigned	1,397,826	-	-
Total fund balance	<u>\$ 3,522,873</u>	<u>\$ 3,975,541</u>	<u>\$ 2,511,169</u>

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2019

III.D.3. Restatement of Beginning Equity Balances

The beginning equity balances were restated as follow:

	Governmental Activities	Nonmajor Funds
To record additional OPEB liability	\$ (423,321)	\$ -
To record accounts payable in Library Fund	(24,966)	(24,966)
Net position/fund balance, as previously reported	40,543,824	2,325,907
Net position/fund balance, as restated	<u>\$ 40,095,537</u>	<u>\$ 2,300,941</u>

IV. Other Information

IV.A. Risk Management

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

Primex's Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSA 5-B and RSA 281-A. Coverage was provided for the fiscal year for property/liability, and for the calendar year for workers' compensation. Contributions billed and paid in fiscal year 2019 to be recorded as an insurance expenditure/expense totaled \$83,468 for property/liability and \$100,166 for workers' compensation. The member agreement permits 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%,

TOWN OF BOW, NEW HAMPSHIRE
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11.80%, and 7.0%, respectively, of gross earnings. During fiscal year 2019, the rates of contribution from the Town were 29.43% for police, 31.89% for fire personnel, and 11.38% 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 2017, 2018 and 2019 were \$524,325, \$607,762 and \$636,838, respectively.

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

At June 30, 2019, the Town reported a liability of \$6,227,647 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities and school districts, actuarially determined. As of June 30, 2019, the Town's proportion was 0.1293%, which was an increase of 0.0012% from its proportion reported as of June 30, 2018.

For the year ended June 30, 2019, the Town recognized pension expense of \$724,659. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contributions and share of contributions	\$ 105,716	\$ 113,185
Net differences between projected and actual earnings on pension plan investments	-	144,113
Changes of assumptions	430,984	-
Differences between expected and actual experience	49,708	50,425
Town contributions subsequent to the measurement date	572,193	-
	<u>\$ 1,158,601</u>	<u>\$ 307,723</u>

The Town reported \$572,193 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, 2020.

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

Year Ending June 30,	
2020	\$ 230,344
2021	193,635
2022	(130,170)
2023	(15,124)
	<u>\$ 278,685</u>

Actuarial Assumptions

The total pension liability in the June 30, 2018 valuation was determined using the valuation as of June 30, 2017 rolled forward, using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the most recent actuarial experience study, which was for the period of July 1, 2010 to June 30, 2015. Mortality rates were based on the RP-2014 Healthy Annuitant and Employee Generational Mortality Tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of net pension liability	\$ 8,285,936	\$ 6,227,647	\$ 4,502,739

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

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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.

There are various suits which have been filed against the Town, one of which is seeking an abatement of taxes challenging the power plant assessment for 2018, which should the Town not prevail, could involve a liability in excess of \$1,300,000, but which is in the early stages of litigation so that the Town is unable to determine the likelihood of a decision against it. Another involves a challenge of the Town's (and many other towns') taxation of utility's use of public rights of way, poles and lines, which if settled against the Town could result in a liability over \$200,000. There are also a few suits which arose in the normal course of business in which the plaintiffs are seeking attorney's costs should they prevail, the amounts of which are currently unknown. All of these suits are being vigorously defended by the Town so it is not possible to determine whether any of these will actually result in a liability to the Town.

IV.D. PSNH Appeal of Tax Assessment

In October 2016, the Superior Court found in favor of Public Service Company of New Hampshire (PSNH) doing business as Eversource Energy, which had appealed its tax assessment for the years 2012 and 2013. This decision resulted in a refund due for taxes paid by PSNH in the amount of \$5,722,373. The Town appealed this decision to the Supreme Court. In January 2018, the Supreme Court issued its decision upholding the lower court's decision. The Town paid Eversource what it owed in refund and interest as a result of the Court's decision.

At that point, litigation involving the subsequent tax years from 2014 through 2018 was still pending. During fiscal year 2019, a settlement was reached which stipulates the assessment of Eversource property in Bow for the years 2019 through 2023 which Eversource will not challenge. The Town will refund \$10,000,000 to PSNH in the form of \$4,250,000 in three scheduled payments during calendar year 2019, and four years of tax credits in 2020-2023 totaling the balance. In the event that the taxes owed are less than the credit for each year, the difference will be refunded.

IV.E. Other Postemployment Benefits (OPEB)

Plan Description

The Town is part of two different OPEB plans, one that is a retiree health care benefits program operating as a single-employer plan that is used to provide OPEB for all permanent full-time employees (implicit rate subsidy); and the other that consists of benefits to its retired employees and their beneficiaries as required by NH RSA 100-A:50, *New Hampshire Retirement System: Medical Benefits*.

TOWN OF BOW, NEW HAMPSHIRE
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The latter are provided through the New Hampshire Retirement System (NHRS) operating as a cost-sharing, multiple-employer OPEB medical subsidy healthcare plan (medical insurance subsidy). Further information on this plan can be found in the audited report of the NHRS Cost-Sharing Multiple-Employer Other Postemployment Benefit (OPEB) Plan, which is available on the NHRS website at www.nhrs.org.

Benefits Provided

The Town provides its eligible retirees and terminated employees including certain beneficiaries, the ability to purchase health, dental and prescription drug coverage at the Town's group rates. The Town does not supplement the cost of these plans directly, but recognizes the liability for the inclusion of implicit rate subsidies to the retirees. The subsidy occurs because when a blended rate is used for a group of individuals that includes younger and presumably healthier people along with older, retired people, implicitly, the premiums for the active employees are subsidizing the retirees. As of June 30, 2019, there were eleven retirees with five spouses, and forty-five active employees with nineteen spouses participating in the plan.

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. 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.

With the medical insurance subsidy plan, there is a payment made by the NHRS to the former employer or its insurance administrator toward the cost of health insurance for the qualified retiree, his/her spouse, and dependent children who are living in the retiree's household and being cared for by the retiree. If the health insurance premium is less than the medical subsidy amount, then only the premium amount is paid by the NHRS. If the insurance premium is more than the medical subsidy amount, then the retiree or other qualified person is responsible for paying the balance of the premium. Benefits are based on age, creditable service, and retirement or hire dates. This plan is closed to new entrants.

Total OPEB Liability, OPEB Expense, and Deferred Inflows and Outflows of Resources Related to OPEB

The Town's total OPEB liability of \$1,245,879, consists of \$613,177 for the implicit rate subsidy, measured as of June 30, 2019 and determined using the Alternative Measurement Method; and \$632,702 for the medical insurance subsidy, determined by an actuarial valuation as of June 30, 2017 with roll-forward procedures used to determine the liability as of June 30, 2019. For the year ended June 30, 2019, the Town recognized OPEB expense of \$793,057.

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2019

At year-end, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contributions and share of contributions	\$ 44,384	\$ -
Net differences between projected and actual earnings on OPEB plan investments	-	2,010
Differences between expected and actual experience	3,714	-
Town contributions subsequent to the measurement date	65,274	-
	<u>\$ 113,372</u>	<u>\$ 2,010</u>

The Town reported \$65,274 as deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date, which will be recognized as a reduction of the total OPEB liability in fiscal year 2020.

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

Year Ending June 30,	
2020	\$ 47,471
2021	(627)
2022	(627)
2023	(129)
	<u>\$ 46,088</u>

This note continues 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, 2019

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following actuarial assumptions and other inputs applied to all periods included in the measurement unless otherwise specified:

Implicit rate subsidy:	
Discount rate:	2.75%
Healthcare cost trend rates:	
Medical	8.00%
Pharmacy	7.60%
Dental	2.00%
Vision	3.00%
Trend rates remain constant except pharmacy which decreases	
Salary increases	2.00%
Medical insurance subsidy:	
Payroll growth	3.25%
Discount rate	7.25%
Inflation	2.5%
Investment rate of return	7.25%, net of investment expense, including inflation
Mortality	RP-2014 Healthy Annuitant and Employee Generational Mortality Tables with credibilty adjustments and adjusted for fully generational mortality improvements using Scale MP-2015 based on the last experience study
Healthcare cost trend rates	N/A, benefits are fixed stipends

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

Implicit Rate Subsidy:

	1% Decrease (1.75%)	Current Discount Rate (2.75%)	1% Increase (3.75%)
Town's total OPEB liability	\$707,328	\$613,177	\$536,243

Medical Insurance Subsidy:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Town's total OPEB liability	\$658,519	\$632,702	\$560,384

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage lower or one percentage rate higher than the current rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Town's total OPEB liability	<u>\$522,761</u>	<u>\$613,177</u>	<u>\$726,264</u>

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT 9
TOWN OF BOW, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of the Net Pension Liability
New Hampshire Retirement System

	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
Town's proportion of net pension liability	0.1293%	0.1281%	0.1303%	0.1268%	0.1310%	0.1329%
Town's proportionate share of the net pension liability	\$6,227,647	\$6,302,166	\$6,926,213	\$5,012,730	\$4,918,796	\$5,719,047
Town's covered-employee payroll	\$3,152,042	\$3,062,615	\$2,785,559	\$2,776,708	\$2,705,900	\$2,638,463
Town's proportionate share of the net pension liability as a percentage of covered-employee payroll	197.58%	205.78%	248.65%	180.53%	181.78%	216.76%
Plan fiduciary net position as a percentage of the total pension liability	64.7%	62.7%	58.3%	65.5%	66.3%	59.8%

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

EXHIBIT 10
TOWN OF BOW, NEW HAMPSHIRE
Schedule of the Town's Pension Contributions
New Hampshire Retirement System

	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
Contractually required contribution	\$ 572,193	\$ 607,762	\$ 523,683	\$ 497,074	\$ 459,361	\$ 425,133
Contribution in relation to the contractually required contribution	(572,193)	(607,762)	(523,683)	(497,074)	(459,361)	(425,133)
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$3,152,042	\$3,062,615	\$2,785,559	\$2,776,708	\$2,705,900	\$2,638,463
Contributions as a percentage of covered-employee payroll	18.15%	19.84%	18.80%	17.90%	16.98%	16.11%

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

EXHIBIT 11
TOWN OF BOW

Schedule of Changes in the Town's Total OPEB Liability and Related Ratios

	Fiscal Year 2019	Fiscal Year 2018
Total OPEB liability:		
Service cost	\$ 28,086	\$ 20,247
Interest	18,610	30,106
Effect of economic/demographic gains or losses	365,011	(6,124)
Changes of assumptions and differences between expected and actual experience	363,953	817,166
Benefit payments	<u>(587,240)</u>	<u>(705,635)</u>
Net change in total OPEB liability	188,420	155,760
Total OPEB liability, beginning, as restated	<u>1,057,459</u>	<u>901,699</u>
Total OPEB liability, ending	<u><u>\$ 1,245,879</u></u>	<u><u>\$ 1,057,459</u></u>
 Covered-employee payroll	 \$3,152,042	 \$3,062,615
 Total OPEB liability as a percentage of covered-employee payroll	 39.53%	 34.53%

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

EXHIBIT 12
TOWN OF BOW
Schedule of the Town's OPEB Contributions

	Fiscal Year 2019	Fiscal Year 2018
Actuarially determined contribution	\$ 652,514	\$ 747,371
Contributions in relation to the actuarially determined contribution	(65,274)	(61,124)
Contribution deficiency	<u>\$ 587,240</u>	<u>\$ 686,247</u>
 Covered-employee payroll	 \$3,152,042	 \$3,062,615
 Contributions as a percentage of covered-employee payroll	 20.70%	 24.40%

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, 2019

The pension and OPEB schedules are meant to present related information for ten years. Because this is the fifth year that the Town has presented the pension schedules and the second year for the OPEB schedules, only six years and two years are presented, respectively. An additional year's information will be added each year until there are ten years shown.

COMBINING AND INDIVIDUAL FUND SCHEDULES

EXHIBIT 13
TOWN OF BOW, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2019

	Special Revenue Funds														Capital Projects Fund	Permanent Fund	Total
	Baker Free Library	Recreation Revolving	Recreation Fields	Heritage	Conservation Commission	Water	Sewer	300th Anniversary	Welfare Holiday Baskets	Police Outside Detail	Celebrating Children	Police Drug Forfeiture	Business Corridor TIF	Grants	Roads and Bridges		
ASSETS																	
Cash and cash equivalents	\$ 98,225	\$ 121,040	\$ 15,223	\$ 14,948	\$ 419,956	\$ 746	\$ 1,116,384	\$ 1,864	\$ 35,963	\$ -	\$ 12,703	\$ 1,802	\$ 5,804	\$ 172,780	\$ 114,776	\$ 32,422	\$ 2,164,636
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	295,698	295,698
Accounts receivable, net of allowance for uncollectible	-	-	-	-	-	15,349	62,204	-	-	11,280	-	-	-	-	-	-	88,833
Interfund receivable	7,879	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,879
Total assets	<u>\$ 106,104</u>	<u>\$ 121,040</u>	<u>\$ 15,223</u>	<u>\$ 14,948</u>	<u>\$ 419,956</u>	<u>\$ 16,095</u>	<u>\$ 1,178,588</u>	<u>\$ 1,864</u>	<u>\$ 35,963</u>	<u>\$ 11,280</u>	<u>\$ 12,703</u>	<u>\$ 1,802</u>	<u>\$ 5,804</u>	<u>\$ 172,780</u>	<u>\$ 114,776</u>	<u>\$ 328,120</u>	<u>\$ 2,557,046</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES																	
Liabilities:																	
Accounts payable	\$ 4,371	\$ 1,269	\$ -	\$ 26	\$ 3,535	\$ 4,660	\$ 4,601	\$ -	\$ -	\$ -	\$ 552	\$ -	\$ -	\$ 134	\$ -	\$ -	\$ 19,148
Interfund payable	-	-	-	-	-	-	-	-	-	11,280	-	-	-	-	-	7,879	19,159
Total liabilities	<u>4,371</u>	<u>1,269</u>	<u>-</u>	<u>26</u>	<u>3,535</u>	<u>4,660</u>	<u>4,601</u>	<u>-</u>	<u>-</u>	<u>11,280</u>	<u>552</u>	<u>-</u>	<u>-</u>	<u>134</u>	<u>-</u>	<u>7,879</u>	<u>38,307</u>
Deferred inflows of resources:																	
Deferred revenue	-	-	-	-	-	-	5,970	-	-	-	1,600	-	-	-	-	-	7,570
Fund balances:																	
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	278,901	278,901
Restricted	101,733	-	-	-	-	-	-	-	-	-	-	-	-	172,646	-	41,340	315,719
Committed	-	119,771	15,223	14,922	416,421	11,435	1,168,017	1,864	35,963	-	10,551	1,802	5,804	-	114,776	-	1,916,549
Total fund balances	<u>101,733</u>	<u>119,771</u>	<u>15,223</u>	<u>14,922</u>	<u>416,421</u>	<u>11,435</u>	<u>1,168,017</u>	<u>1,864</u>	<u>35,963</u>	<u>-</u>	<u>10,551</u>	<u>1,802</u>	<u>5,804</u>	<u>172,646</u>	<u>114,776</u>	<u>320,241</u>	<u>2,511,169</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 106,104</u>	<u>\$ 121,040</u>	<u>\$ 15,223</u>	<u>\$ 14,948</u>	<u>\$ 419,956</u>	<u>\$ 16,095</u>	<u>\$ 1,178,588</u>	<u>\$ 1,864</u>	<u>\$ 35,963</u>	<u>\$ 11,280</u>	<u>\$ 12,703</u>	<u>\$ 1,802</u>	<u>\$ 5,804</u>	<u>\$ 172,780</u>	<u>\$ 114,776</u>	<u>\$ 328,120</u>	<u>\$ 2,557,046</u>

EXHIBIT 14
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, 2019

	Special Revenue Funds													Capital Projects Fund			
	Baker Free Library	Recreation Revolving	Recreation Fields	Heritage	Conservation Commission	Water	Sewer	300th Anniversary	Welfare Holiday Baskets	Police Outside Detail	Celebrating Children	Police Drug Forfeiture	Business Corridor TIF	Grants	Roads and Bridges	Permanent Fund	Total
REVENUES																	
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 134,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,790	\$ -	\$ -	\$ -	\$ 140,290
Intergovernmental	-	-	-	-	1,882	-	-	-	-	-	-	-	-	17,326	-	-	19,208
Charges for services	38,513	155,430	-	-	-	87,158	238,643	-	-	107,861	77,270	-	-	-	-	-	704,875
Miscellaneous	11,503	1,896	2,984	1,334	7,257	-	24,611	45	5,514	-	372	38	14	8,889	-	26,284	90,741
Total revenues	50,016	157,326	2,984	1,334	143,639	87,158	263,254	45	5,514	107,861	77,642	38	5,804	26,215	-	26,284	955,114
EXPENDITURES																	
Current:																	
General government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,683	2,683
Public safety	-	-	-	-	-	-	-	-	-	78,033	-	-	-	14,699	-	-	92,732
Highways and streets	-	-	-	-	-	-	-	-	-	-	-	-	-	28,763	-	-	28,763
Sanitation	-	-	-	-	-	-	176,450	-	-	-	-	-	-	-	-	-	176,450
Water distribution and treatment	-	-	-	-	-	84,089	-	-	-	-	-	-	-	-	-	-	84,089
Health	-	-	-	-	-	-	-	-	-	-	-	-	-	409	-	-	409
Welfare	-	-	-	-	-	-	-	-	2,452	-	-	-	-	-	-	-	2,452
Culture and recreation	50,866	122,180	-	987	-	-	-	-	-	-	75,041	-	-	-	-	-	249,074
Conservation	-	-	-	-	31,087	-	-	-	-	-	-	-	-	-	-	-	31,087
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-	-	-	188,293	-	188,293
Total expenditures	50,866	122,180	-	987	31,087	84,089	176,450	-	2,452	78,033	75,041	-	-	43,871	188,293	2,683	856,032
Excess (deficiency) of revenues over (under) expenditures	(850)	35,146	2,984	347	112,552	3,069	86,804	45	3,062	29,828	2,601	38	5,804	(17,656)	(188,293)	23,601	99,082
Other financing sources (uses):																	
Transfers in	25,684	-	-	-	-	-	-	-	-	-	-	-	-	-	188,293	-	213,977
Transfers out	-	-	-	-	(72,338)	-	-	-	-	(29,828)	-	-	-	-	-	(665)	(102,831)
Total other financing sources and uses	25,684	-	-	-	(72,338)	-	-	-	-	(29,828)	-	-	-	-	188,293	(665)	111,146
Net change in fund balances	24,834	35,146	2,984	347	40,214	3,069	86,804	45	3,062	-	2,601	38	5,804	(17,656)	-	22,936	210,228
Fund balances, beginning, as restated, see Note III.D.3.	76,899	84,625	12,239	14,575	376,207	8,366	1,081,213	1,819	32,901	-	7,950	1,764	-	190,302	114,776	297,305	2,300,941
Fund balances, ending	\$ 101,733	\$ 119,771	\$ 15,223	\$ 14,922	\$ 416,421	\$ 11,435	\$ 1,168,017	\$ 1,864	\$ 35,963	\$ -	\$ 10,551	\$ 1,802	\$ 5,804	\$ 172,646	\$ 114,776	\$ 320,241	\$ 2,511,169

EXHIBIT 15
TOWN OF BOW, NEW HAMPSHIRE
General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2019

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 8,475,503	\$ 9,212,488	\$ 736,985
Timber	5,000	2,696	(2,304)
Excavation	8,000	5,518	(2,482)
Interest and penalties on delinquent taxes	85,000	105,229	20,229
Total taxes	<u>8,573,503</u>	<u>9,325,931</u>	<u>752,428</u>
Licenses, permits and fees:			
Business licenses and permits	1,500	2,960	1,460
Motor vehicle permits	2,250,000	2,379,779	129,779
Building permits	65,000	70,685	5,685
Other	10,400	11,933	1,533
Total licenses, permits and fees	<u>2,326,900</u>	<u>2,465,357</u>	<u>138,457</u>
Intergovernmental:			
State sources:			
Meals and rooms distributions	399,161	399,161	-
Highway block grant	227,381	227,037	(344)
State and federal forest land	81	85	4
Other grants	-	10,518	10,518
Railroad tax	1,366	1,366	-
Federal grants	-	14,624	14,624
Total intergovernmental	<u>627,989</u>	<u>652,791</u>	<u>24,802</u>
Charges for services:			
Income from departments	<u>477,690</u>	<u>498,305</u>	<u>20,615</u>
Miscellaneous:			
Sale of property	15,000	6,142	(8,858)
Interest on investments	75,000	206,482	131,482
Rent of property	7,500	5,770	(1,730)
Insurance dividends and reimbursements	-	43,361	43,361
Contributions and donations	-	5,000	5,000
Other	10,000	87,104	77,104
Total miscellaneous	<u>107,500</u>	<u>353,859</u>	<u>246,359</u>
Other financing sources:			
Transfers in:			
Expendable trust fund	792,256	608,529	(183,727)
Nonmajor funds	70,000	102,166	32,166
Total other financing sources	<u>862,256</u>	<u>710,695</u>	<u>(151,561)</u>
Total revenues and other financing sources	<u><u>\$ 12,975,838</u></u>	<u><u>\$ 14,006,938</u></u>	<u><u>\$ 1,031,100</u></u>

EXHIBIT 16
TOWN OF BOW, NEW HAMPSHIRE
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2019

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 271,443	\$ 265,043	\$ -	\$ 6,400
Election and registration	-	241,926	215,874	-	26,052
Financial administration	-	253,755	288,883	-	(35,128)
Revaluation of property	-	158,760	270,527	-	(111,767)
Legal	-	1,892,000	81,506	1,800,000	10,494
Personnel administration	-	12,923	7,089	-	5,834
Planning and zoning	-	419,395	395,333	-	24,062
General government buildings	28,045	319,938	331,815	3,383	12,785
Cemeteries	-	22,700	34,933	-	(12,233)
Insurance, not otherwise allocated	-	83,468	83,468	-	-
Total general government	28,045	3,676,308	1,974,471	1,803,383	(73,501)
Public safety:					
Police	39,321	1,714,444	1,663,620	-	90,145
Fire	29,060	1,174,872	1,175,235	6,000	22,697
Emergency management	80	18,180	14,975	395	2,890
Total public safety	68,461	2,907,496	2,853,830	6,395	115,732
Highways and streets:					
Public works	-	1,254,785	1,155,424	-	99,361
Highways and streets	3,000	464,950	447,420	3,895	16,635
Street lighting	-	37,000	42,329	-	(5,329)
Total highways and streets	3,000	1,756,735	1,645,173	3,895	110,667
Sanitation:					
Solid waste disposal	-	694,930	717,218	-	(22,288)
Health:					
Administration	-	2,496	3,095	-	(599)
Health agencies and hospitals	-	3,400	2,900	-	500
Total health	-	5,896	5,995	-	(99)
Welfare:					
Administration	-	3,424	2,364	-	1,060
Direct assistance	-	5,000	2,523	-	2,477
Total welfare	-	8,424	4,887	-	3,537
Culture and recreation:					
Parks and recreation	-	201,357	175,248	-	26,109
Public library	-	595,867	481,333	-	114,534
Patriotic purposes	-	500	472	-	28
Other	-	1,750	1,756	330	(336)
Total culture and recreation	-	799,474	658,809	330	140,335

(continued)

EXHIBIT 16 (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, 2019

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal	-	1,065,000	1,065,000	-	-
Interest on long-term debt	-	392,406	390,406	-	2,000
Interest on tax anticipation note	-	1	-	-	1
Total debt service	-	1,457,407	1,455,406	-	2,001
Capital outlay:					
Land	-	30,000	30,000	-	-
Machinery, vehicles and equipment	-	445,600	436,274	21,252	(11,926)
Buildings	-	130,000	77,420	-	52,580
Improvements other than buildings	197,501	527,967	530,828	205,905	(11,265)
Total capital outlay	197,501	1,133,567	1,074,522	227,157	29,389
Other financing uses:					
Transfers out:					
Expendable trust fund	-	510,582	510,582	-	-
Nonmajor funds	-	25,019	25,019	-	-
Total other financing uses	-	535,601	535,601	-	-
Total encumbrances, appropriations, expenditures and other financing uses	\$ 297,007	\$ 12,975,838	\$ 10,925,912	\$ 2,041,160	\$ 305,773

EXHIBIT 17
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, 2019

Unassigned fund balance, beginning		\$ 600,742
Changes:		
Budget summary:		
Revenue surplus (Exhibit 15)	\$ 1,031,100	
Unexpended balance of appropriations (Exhibit 16)	<u>305,773</u>	
Budget surplus		1,336,873
Decrease in nonspendable fund balance		<u>(766)</u>
Unassigned fund balance, ending		<u><u>\$ 1,936,849</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, 2019, 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 still note the following that we have reported in the past.

Police Outside Details Revolving Fund

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

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

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 13, 2020

Robert & Greene, PLLC