

TOWN OF BOW, NEW HAMPSHIRE

FINANCIAL REPORT

AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

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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, 2018, 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, 2018, 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 3-9 and 37-40 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.

January 23, 2019

Robert J. 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, 2018.

Financial Highlights

As of June 30, 2018, the assets of the Town exceeded its liabilities by \$40,543,824 (net position). Of this amount, \$369,840 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.

The Town's net position increased by \$2,609,515.

As of June 30, 2018, the Town's governmental funds reported combined ending fund balances of \$7,082,041, an increase of \$2,056,613 in comparison with the prior year.

As of June 30, 2018, the \$257,188 unassigned fund balance of the General Fund represented 2% of total General Fund expenditures.

During the year ended June 30, 2018, the Town's total general obligation bonded debt decreased by \$1,066,850, 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, 2018. 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 \$40,543,824 at June 30, 2018.

The largest portion of the Town's net position (83%) 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, 2018</u>	<u>June 30, 2017</u>
Current assets	\$ 24,027,877	\$ 28,438,282
Capital assets	<u>50,952,319</u>	<u>51,186,940</u>
Total assets	74,980,196	79,625,222
Deferred outflows of resources	1,348,365	1,952,608
Long-term liabilities outstanding	18,719,079	20,787,522
Current liabilities	<u>12,142,003</u>	<u>19,596,938</u>
Total liabilities	30,861,082	40,384,460
Deferred inflows of resources	4,923,655	3,875,930
Net position:		
Invested in capital assets, net of related debt	39,577,297	38,720,278
Restricted	596,687	270,639
Unrestricted	<u>369,840</u>	<u>(1,673,477)</u>
Total net position	\$ 40,543,824	\$ 37,317,440

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 \$2,609,515 during the year ended June 30, 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Bow Changes in Net Position

	Year Ended <u>June 30, 2018</u>	Year Ended <u>June 30, 2017</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,084,753	\$ 995,965
Operating grants and contributions	93,232	41,688
Capital grants and contributions	413,377	218,342
General revenues:		
Property taxes and other taxes	8,499,904	7,381,321
Licenses and permits	2,451,789	2,332,384
Unrestricted grants and contributions	411,521	410,984
Miscellaneous	<u>271,401</u>	<u>424,726</u>
Total revenues	13,225,977	10,499,415
Expenses:		
General government	2,102,592	1,838,450
Public safety	3,154,154	3,278,932
Highways and streets	2,798,926	2,845,350
Sanitation	915,094	840,644
Water distribution and treatment	89,717	111,831
Health and welfare	10,948	14,426
Culture and recreation	938,009	1,043,930
Conservation	6,896	1,004
Eversource settlement refund	-	7,152,054
Interest on long-term debt	365,692	431,128
Capital outlay	<u>234,434</u>	<u>595,883</u>
Total expenses	<u>10,616,462</u>	<u>18,153,632</u>
Change in net position	2,609,515	(6,388,222)
Net position – July 1	<u>37,934,309</u>	<u>43,705,662</u>
Net position – June 30	\$40,543,824	\$37,317,440

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As of June 30, 2018, the Town's governmental funds reported combined fund balances of \$7,082,041, an increase of \$2,056,613 in comparison to the prior year. This amount consists of: non-spendable fund balances of \$316,375 representing, tax deeded property for resale, prepaid expenditures and the non-spendable portion of permanent funds; restricted fund balances of \$357,982 representing the library fund, unexpended grant proceeds with grantor restrictions on how they can be spent and the expendable portion of permanent funds; committed fund balances of \$6,050,990 representing designations by Town Meeting votes for future expenditures and the special revenue and capital project funds; assigned fund balances of \$99,506 representing purchase orders or encumbrances authorized by the Board of Selectmen; and a General Fund unassigned fund balance of \$257,188.

The General Fund is the chief operating fund of the Town. As of June 30, 2018, the unassigned fund balance of the General Fund was \$257,188, while total fund balance amounted to \$637,316.

During the year ended June 30, 2018, the unassigned fund balance of the General Fund increased by \$2,529,503.

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, 2018. Actual revenues and transfers in of the General Fund were over budgetary estimates by \$1,579,738, while expenditures and transfers out were \$246,827 under budget. This produced a favorable total variance of \$1,826,565.

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets as of June 30, 2018 amounted to \$39,577,297 (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 an increase of \$840,623 compared to the investment in capital assets at July 1, 2017, which is primarily the result of payments of bond principal.

Town of Bow Investment in Capital Assets

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Land	\$ 7,542,889	\$ 7,542,889
Buildings and improvements	9,047,999	4,589,205
Machinery, equipment, and vehicles	7,573,336	7,082,799
Infrastructure	57,911,606	57,911,606
Sewer lines	1,703,756	1,703,756
Construction in progress	<u>1,151,366</u>	<u>5,108,631</u>
Total investment in capital assets	84,957,954	83,938,887
Related long-term debt	(11,375,022)	(12,450,266)
Accumulated depreciation	<u>(34,005,635)</u>	<u>(32,751,947)</u>
Net investment in capital assets	\$ 39,577,297	\$ 38,736,674

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Long-term bonded debt. As of June 30, 2018, the Town had total long-term bonded debt outstanding of \$10,700,000. The entire amount is backed by the full faith and credit of the Town.

Town of Bow Long-Term Bonded Debt

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
2007 land acquisition bonds	285,000	345,000
2012 water and sewer system bonds	5,875,000	6,530,000
2008 water and sewer system bonds	1,210,000	1,320,000
2016 public safety bond	<u>3,330,000</u>	<u>3,571,850</u>
Total long-term debt	\$10,700,000	\$ 11,766,850

There were no authorized but unissued bonds at June 30, 2018.

Economic Factors and Next Year's Budget and Tax Rate

Economic factors. The general outlook for Bow's economy seems to be uncertain. Based on New Hampshire Office of Energy & Planning estimates, Bow's population has increased by 3% since the 2010 census and by 8% since the 2000 census. The median household income in Bow has long been considerably greater than state and national averages. Furthermore, the unemployment rate for Bow has decreased from 2.2% to 2.0% during the past year, and still compares very favorably with state and national rates of 2.7% and 4.0%, 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, 2018

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 16,334,627
Investments	4,778,670
Receivables, net of allowance for uncollectibles	2,826,761
Prepaid items	61,115
Tax deeded property held for resale	26,704
Capital assets, not being depreciated:	
Land	7,542,890
Construction in progress	1,151,366
Capital assets, net of accumulated depreciation:	
Vehicles	1,416,150
Buildings and building improvements	7,870,952
Machinery and equipment	954,335
Sewer lines	840,404
Roads	17,245,333
Bridges	536,643
Water and sewer system	12,876,447
Other infrastructure	517,799
Total assets	<u>74,980,196</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pensions	<u>1,348,365</u>
 LIABILITIES	
Accounts payable	127,821
Accrued payroll and benefits	88,097
Accrued interest payable	156,121
Intergovernmental payable	11,591,069
Performance and escrow deposits	178,895
Noncurrent obligations:	
Due within one year:	
Bonds and notes payable	1,065,000
Unamortized bond premium	54,305
Capital leases payable	11,058
Compensated absences	7,843
Accrued landfill postclosure care costs	9,000
Due in more than one year:	
Bonds and notes payable	9,635,000
Unamortized bond premium	574,805
Capital leases payable	34,854
Compensated absences	309,910
Other postemployment benefits payable	634,138
Accrued landfill postclosure care costs	81,000
Net pension liability	6,302,166
Total liabilities	<u>30,861,082</u>
 DEFERRED INFLOWS OF RESOURCES	
Unearned revenue	4,581,982
Deferred amounts related to pensions	341,673
Total deferred inflows of resources	<u>4,923,655</u>
 NET POSITION	
Net investment in capital assets	39,577,297
Restricted for:	
Perpetual care:	
Nonexpendable	210,238
Expendable	60,895
Other purposes	325,554
Unrestricted	369,840
Total net position	<u>\$ 40,543,824</u>

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

EXHIBIT 2
TOWN OF BOW, NEW HAMPSHIRE
Statement of Activities
For the Year Ended June 30, 2018

		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	\$ 2,102,592	\$ 25,548	\$ 31,514	\$ -	\$ (2,045,530)
Public safety	3,154,154	331,237	54,968	-	(2,767,949)
Highways and streets	2,798,926	32,300	-	413,377	(2,353,249)
Sanitation	915,094	297,329	-	-	(617,765)
Water distribution and treatment	89,717	91,314	-	-	1,597
Health	4,565	-	1,000	-	(3,565)
Welfare	6,383	-	4,832	-	(1,551)
Culture and recreation	938,009	307,025	918	-	(630,066)
Conservation	6,896	-	-	-	(6,896)
Interest on long-term debt	365,692	-	-	-	(365,692)
Capital outlay	234,434	-	-	-	(234,434)
Total governmental activities	<u>\$ 10,616,462</u>	<u>\$ 1,084,753</u>	<u>\$ 93,232</u>	<u>\$ 413,377</u>	<u>(9,025,100)</u>
General revenues:					
Property taxes					8,286,456
Other taxes					213,448
Licenses and permits					2,451,789
Grants and contributions not restricted to specific programs					411,521
Miscellaneous					271,401
Total general revenues					<u>11,634,615</u>
Change in net position					2,609,515
Net position, beginning, as restated, see Note III.D.					37,934,309
Net position, ending					<u>\$ 40,543,824</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, 2018

	General	Expendable Trust	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 14,292,050	\$ 93,757	\$ 1,948,820	\$ 16,334,627
Investments	-	4,498,423	280,247	4,778,670
Receivables, net of allowance for uncollectibles:				
Taxes	2,611,509	-	34,090	2,645,599
Accounts	99,461	-	81,701	181,162
Interfund receivable	482,642	-	7,214	489,856
Prepaid items	56,417	-	4,698	61,115
Tax deeded property held for resale	26,704	-	-	26,704
Total assets	<u>\$ 17,568,783</u>	<u>\$ 4,592,180</u>	<u>\$ 2,356,770</u>	<u>\$ 24,517,733</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 115,343	\$ -	\$ 12,478	\$ 127,821
Accrued salaries and benefits	88,097	-	-	88,097
Intergovernmental payable	11,591,069	-	-	11,591,069
Interfund payable	-	473,362	16,494	489,856
Escrow and performance deposits	178,895	-	-	178,895
Total liabilities	<u>11,973,404</u>	<u>473,362</u>	<u>28,972</u>	<u>12,475,738</u>
Deferred inflows of resources:				
Deferred revenue	<u>4,958,063</u>	<u>-</u>	<u>1,891</u>	<u>4,959,954</u>
Fund balances:				
Nonspendable	83,121	-	233,254	316,375
Restricted	-	-	357,982	357,982
Committed	197,501	4,118,818	1,734,671	6,050,990
Assigned	99,506	-	-	99,506
Unassigned	257,188	-	-	257,188
Total fund balances	<u>637,316</u>	<u>4,118,818</u>	<u>2,325,907</u>	<u>7,082,041</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 17,568,783</u>	<u>\$ 4,592,180</u>	<u>\$ 2,356,770</u>	<u>\$ 24,517,733</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, 2018

Total fund balances of governmental funds (Exhibit 3)		\$ 7,082,041
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	\$ 84,957,954	
Less accumulated depreciation	<u>(34,005,635)</u>	
		50,952,319
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	\$ (489,856)	
Payables	<u>489,856</u>	
		-
Revenues that are not available to pay for current period expenditures are deferred in the funds.		
Unavailable tax revenue	\$ 343,554	
Unavailable ambulance revenue	<u>34,418</u>	
		377,972
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(156,121)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes outstanding	\$ 10,700,000	
Unamortized bond premium	629,110	
Capital leases outstanding	45,912	
Compensated absences payable	317,753	
Other postemployment benefits payable	634,138	
Accrued landfill postclosure care costs	90,000	
Net pension liability	<u>6,302,166</u>	
		(18,719,079)
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	\$ 1,348,365	
Deferred inflows of resources related to pensions	<u>(341,673)</u>	
		1,006,692
Total net position of governmental activities (Exhibit 1)		<u><u>\$ 40,543,824</u></u>

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

EXHIBIT 5
TOWN OF BOW, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	General	Expendable Trust	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 8,413,150	\$ -	\$ 106,754	\$ 8,519,904
Licenses, permits and fees	2,445,158	-	-	2,445,158
Intergovernmental	624,007	-	226,333	850,340
Charges for services	498,212	-	564,170	1,062,382
Miscellaneous	252,452	(19,261)	77,717	310,908
Total revenues	<u>12,232,979</u>	<u>(19,261)</u>	<u>974,974</u>	<u>13,188,692</u>
Expenditures:				
Current:				
General government	1,869,375	-	6,384	1,875,759
Public safety	2,817,284	-	93,073	2,910,357
Highways and streets	1,721,387	-	-	1,721,387
Sanitation	702,887	-	164,346	867,233
Water distribution and treatment	-	-	89,717	89,717
Health	4,565	-	-	4,565
Welfare	3,387	-	2,996	6,383
Culture and recreation	757,140	-	136,012	893,152
Conservation	-	-	6,896	6,896
Debt service:				
Principal	1,066,850	-	-	1,066,850
Interest	434,150	-	-	434,150
Capital outlay	598,386	-	697,074	1,295,460
Total expenditures	<u>9,975,411</u>	<u>-</u>	<u>1,196,498</u>	<u>11,171,909</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,257,568</u>	<u>(19,261)</u>	<u>(221,524)</u>	<u>2,016,783</u>
Other financing sources (uses):				
Transfers in	1,000,782	535,100	638,064	2,173,946
Transfers out	(564,330)	(1,533,696)	(75,920)	(2,173,946)
Inception of capital lease	39,830	-	-	39,830
Total other financing sources and uses	<u>476,282</u>	<u>(998,596)</u>	<u>562,144</u>	<u>39,830</u>
Net change in fund balances	2,733,850	(1,017,857)	340,620	2,056,613
Fund balances, beginning, as restated, see Note III.D.	(2,096,534)	5,136,675	1,985,287	5,025,428
Fund balances, ending	<u>\$ 637,316</u>	<u>\$ 4,118,818</u>	<u>\$ 2,325,907</u>	<u>\$ 7,082,041</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 Year Ended June 30, 2018

Net change in fund balances of governmental funds (Exhibit 5)		\$ 2,056,613
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	\$ 1,170,990	
Depreciation expense	<u>(1,452,934)</u>	
		(281,944)
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$ (2,173,946)	
Transfers out	<u>2,173,946</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	\$ (20,000)	
Change in unavailable ambulance revenue	26,737	
Change in other unavailable revenue	<u>(4,363)</u>	
		2,374
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Inception of capital lease	\$ (39,830)	
Repayment of bond principal	1,066,850	
Amortization of bond premium	54,306	
Repayment of capital lease principal	<u>10,314</u>	
		1,091,640
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	\$ 14,152	
Increase in compensated absences payable	(40,079)	
Increase in OPEB payable	<u>(155,765)</u>	
		(181,692)
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	\$ 607,762	
Cost of benefits earned, net of employee contributions	<u>(685,238)</u>	
		(77,476)
Change in net position of governmental activities (Exhibit 2)		<u><u>\$ 2,609,515</u></u>

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

EXHIBIT 7
TOWN OF BOW, NEW HAMPSHIRE
General Fund
Statement of Revenues, Expenditures and Changes in Unassigned Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes	\$ 7,218,055	\$ 7,218,055	\$ 8,443,150	\$ 1,225,095
Licenses, permits and fees	2,313,700	2,313,700	2,445,158	131,458
Intergovernmental	624,496	624,496	624,007	(489)
Charges for services	495,990	495,990	498,212	2,222
Miscellaneous	31,000	31,000	252,452	221,452
Total revenues	<u>10,683,241</u>	<u>10,683,241</u>	<u>12,262,979</u>	<u>1,579,738</u>
EXPENDITURES				
Current:				
General government	1,959,806	1,959,806	1,868,454	91,352
Public safety	2,881,559	2,881,559	2,882,825	(1,266)
Highways and streets	1,802,524	1,802,524	1,724,387	78,137
Sanitation	708,430	708,430	702,887	5,543
Health	5,016	5,016	4,565	451
Welfare	8,825	8,825	3,387	5,438
Culture and recreation	805,482	805,482	753,210	52,272
Debt service:				
Principal	1,066,850	1,066,850	1,066,850	-
Interest on long-term debt	467,898	467,898	434,150	33,748
Interest on tax anticipation note	1	1	-	1
Capital outlay	<u>1,404,000</u>	<u>682,000</u>	<u>700,849</u>	<u>(18,849)</u>
Total expenditures	<u>11,110,391</u>	<u>10,388,391</u>	<u>10,141,564</u>	<u>246,827</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(427,150)</u>	<u>294,850</u>	<u>2,121,415</u>	<u>1,826,565</u>
Other financing sources (uses):				
Transfers in	1,059,000	337,000	1,000,782	663,782
Transfers out	<u>(631,850)</u>	<u>(631,850)</u>	<u>(564,330)</u>	<u>67,520</u>
Total other financing sources and uses	<u>427,150</u>	<u>(294,850)</u>	<u>436,452</u>	<u>731,302</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	2,557,867	<u>\$ 2,557,867</u>
Increase in nonspendable fund balance			(19,311)	
Unassigned fund balance, beginning, as restated			<u>(1,937,814)</u>	
Unassigned fund balance, ending			<u>\$ 600,742</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, 2018

	<u>Agency</u>
Assets:	
Cash and cash equivalents	\$ 38,880
Investments	<u>1,836,892</u>
Total assets	<u>1,875,772</u>
Liabilities:	
School District funds	<u>1,875,772</u>
Net position	<u>\$ -</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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, 2018.

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, 2018

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, 2018

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 fifteen 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.B.5. *Change in Accounting Principle*

During the fiscal year, the Town adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This results in a change in the measurement and presentation of the Town's OPEB liability reported in the Statement of Net Position. The prior year's net position was restated as shown in Note III.D.3. to reflect this change.

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

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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.

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

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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 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 balances of the grants and police drug forfeiture funds whose uses are 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.

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

- 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 fund balance to balance the budget, but there was no unassigned fund balance at the end of fiscal year 2017 to use.

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

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

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

Revenues and other financing sources:	
Per Exhibit 7 (budgetary basis)	\$ 13,263,761
Adjustments:	
Basis difference:	
Capital lease inception	39,830
Tax revenue deferred in the prior year	313,554
Tax revenue deferred in the current year	(343,554)
Per Exhibit 5 (GAAP basis)	<u>\$ 13,273,591</u>

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	\$ 10,705,894
Adjustments:	
Basis difference:	
Encumbrances, beginning	91,024
Encumbrances, ending	(297,007)
Capital lease inception	39,830
Per Exhibit 5 (GAAP basis)	<u>\$ 10,539,741</u>
Unassigned fund balance:	
Per Exhibit 7 (budgetary basis)	\$ 600,742
Adjustment:	
Basis difference:	
Deferred tax revenue, GAAP basis	(343,554)
Per Exhibit 3 (GAAP basis)	<u>\$ 257,188</u>

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

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 \$16,373,507, which represented bank balances of \$16,295,911, of which \$156,909, 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, 2018, the Town had the following investments:

Certificates of Deposit	\$ 485,918
U.S. Government Agencies	3,705,076
U.S. Treasury Obligations	297,489
Mutual Funds	289,288
Corporate Bonds	1,807,434
Mortgage Backed Securities	30,357
	<u>\$ 6,615,562</u>

The investments appear in the financial statements as follow:

Fund reporting level:	
Governmental funds - balance sheet (Exhibit 3)	\$ 4,778,670
Fiduciary funds - statement of fiduciary net position (Exhibit 8)	1,836,892
Total	<u>\$ 6,615,562</u>

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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.

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 2017 property taxes on May 17.

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

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The net assessed valuation as of April 1, 2017, upon which the 2017 property tax levy was based was:

For the New Hampshire education tax	\$ 995,751,823
For all other taxes	\$1,159,137,723

The tax rates and amounts assessed for the year ended June 30, 2018 were as follow:

	<u>Per \$1,000 of Assessed Valuation</u>	
Municipal portion	\$7.58	\$ 8,796,361
School portion:		
State of New Hampshire	\$2.19	2,176,723
Local	\$15.00	17,382,101
County portion	\$3.00	3,476,254
Total property taxes assessed		<u><u>\$31,831,439</u></u>

The following details the taxes receivable at year-end:

Property:	
Levy of 2018	\$ 2,217,751
Unredeemed (under tax lien):	
Levy of 2017	277,488
Levy of 2016	119,715
Levy of 2015	46,555
Land use change	34,090
Less: allowance for estimated uncollectible taxes	(50,000)
Net taxes receivable	<u><u>\$ 2,645,599</u></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	\$366,161
Less: allowance for uncollectible amounts	(184,999)
Net total receivables	<u><u>\$181,162</u></u>

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Deferred revenue in the governmental funds consists of \$343,554 of taxes, and \$34,418 of ambulance charges that were not received within sixty days of year-end; and \$4,350,762 of property taxes committed for the fiscal year 2019, \$229,329 of tax overpayments to be applied to the next billing, \$391 of sewer overpayments, and \$1,500 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.

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
Governmental activities:				
At cost:				
Not being depreciated:				
Land	\$ 7,542,890	\$ -	\$ -	\$ 7,542,890
Construction in progress	4,856,179	780,981	(4,485,794)	1,151,366
Total capital assets not being depreciated	12,399,069	780,981	(4,485,794)	8,694,256
Being depreciated:				
Vehicles	4,214,414	223,051	(101,245)	4,336,220
Buildings and building improvements	4,589,205	4,485,794	-	9,074,999
Machinery and equipment	3,120,837	166,958	(50,679)	3,237,116
Sewer lines	1,703,756	-	-	1,703,756
Roads	42,515,644	-	-	42,515,644
Bridges	1,052,895	-	-	1,052,895
Water and sewer system	13,740,462	-	-	13,740,462
Other infrastructure	602,606	-	-	602,606
Total capital assets being depreciated	71,539,819	4,875,803	(151,924)	76,263,698
Total all capital assets	83,938,888	5,656,784	(4,637,718)	84,957,954
Less accumulated depreciation:				
Vehicles	(2,731,484)	(289,831)	101,245	(2,920,070)
Buildings and building improvements	(1,118,273)	(85,774)	-	(1,204,047)
Machinery and equipment	(2,183,685)	(149,775)	50,679	(2,282,781)
Sewer lines	(829,277)	(34,075)	-	(863,352)
Roads	(24,416,263)	(854,048)	-	(25,270,311)
Bridges	(499,370)	(16,882)	-	(516,252)
Water and sewer system	(854,118)	(9,897)	-	(864,015)
Other infrastructure	(72,155)	(12,652)	-	(84,807)
Total accumulated depreciation	(32,704,625)	(1,452,934)	151,924	(34,005,635)
Net book value, capital assets being depreciated	38,835,194	3,422,869	-	42,258,063
Net book value, all capital assets	\$ 51,234,263	\$ 4,203,850	\$ (4,485,794)	\$ 50,952,319

**TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

Governmental activities:	
General government	\$ 29,101
Public safety	277,398
Highways and streets	1,060,896
Sanitation	47,861
Culture and recreation	37,678
Total depreciation expense	<u>\$ 1,452,934</u>

III.B. Liabilities

III.B.1. Intergovernmental Payable

The amounts due to other governments at June 30, 2018 consist of \$4,972 of miscellaneous fees due to the State of New Hampshire, and the portions of the June property tax commitment due to the School District (\$9,864,916) and Merrimack County (\$1,721,181).

III.B.2. Long-Term Liabilities

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

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

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, 2018

Long-term liabilities currently outstanding are as follow:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at 12/31/2018	Current Portion
Governmental activities:						
General obligation bonds payable:						
Land purchase	\$880,600	2007	2023	4.00-5.00	\$ 285,000	\$ 60,000
Water/sewer system	\$2,212,020	2008	2029	4.00-5.25	1,210,000	110,000
Water/sewer project	\$9,805,300	2011	2027	2.00-4.00	5,875,000	655,000
Public safety bond	\$3,571,850	2017	2032	2.02-5.02	3,330,000	240,000
					<u>10,700,000</u>	<u>1,065,000</u>
Unamortized bond premiums					<u>629,110</u>	<u>54,305</u>
Capital leases payable:						
Gym equipment	\$16,396	2017	2020	7.759	11,896	3,675
Telephone system	\$39,830	2018	2023	6.200	34,016	7,383
					<u>45,912</u>	<u>11,058</u>
Compensated absences payable:						
Vested sick leave					64,241	2,179
Accrued vacation leave					234,620	4,246
Compensatory time					18,892	1,418
					<u>317,753</u>	<u>7,843</u>
Other postemployment benefits payable					<u>634,138</u>	<u>-</u>
Accrued landfill postclosure care costs					<u>90,000</u>	<u>9,000</u>
Net pension liability					<u>6,302,166</u>	<u>-</u>
					<u>\$ 18,719,079</u>	<u>\$ 1,147,206</u>

The following is a summary of changes in the long-term liabilities for the year ended June 30, 2018:

	General Obligation Bonds Payable	Unamortized Bond Premium	Capital Leases Payable	Compensated Absences Payable	OPEB Liability	Accrued Landfill Postclosure Care Costs	Net Pension Liability	Total
Balance, beginning	\$ 11,766,850	\$ 683,416	\$ 16,396	\$ 277,674	\$ 478,373	\$ 90,000	\$ 6,926,213	\$ 20,238,922
Additions	-	-	39,830	40,079	155,765	-	-	235,674
Reductions	(1,066,850)	(54,306)	(10,314)	-	-	-	(624,047)	(1,755,517)
Balance, ending	<u>\$ 10,700,000</u>	<u>\$ 629,110</u>	<u>\$ 45,912</u>	<u>\$ 317,753</u>	<u>\$ 634,138</u>	<u>\$ 90,000</u>	<u>\$ 6,302,166</u>	<u>\$ 18,719,079</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
2019	\$ 1,065,000	\$ 392,407	\$ 1,457,407
2020	1,065,000	345,889	1,410,889
2021	1,060,000	304,104	1,364,104
2022	1,060,000	266,407	1,326,407
2023	1,060,000	224,215	1,284,215
2024-2028	4,340,000	510,259	4,850,259
2029-2032	1,050,000	67,566	1,117,566
Totals	<u>\$ 10,700,000</u>	<u>\$ 2,110,847</u>	<u>\$ 12,810,847</u>

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

Year Ending June 30,	Principal	Interest	Total
2019	\$ 11,058	\$ 2,818	\$ 13,876
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>\$ 45,912</u>	<u>\$ 6,549</u>	<u>\$ 52,461</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.”

The following shows the interfund balances at June 30, 2018:

Receivable Fund	Payable Fund	Amount
General	Expendable trust	\$ 473,362
General	Nonmajor	9,280
Nonmajor	Nonmajor	7,214
		<u>\$ 489,856</u>

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

III.C.2. *Transfers*

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

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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The following shows the transfers within the reporting entity:

	Transfers In:			
	General Fund	Expendable Trust Fund	Nonmajor Funds	Total
Transfers out:				
General fund	\$ -	\$ 535,100	\$ 29,230	\$ 564,330
Expendable trust fund	925,444	-	608,252	1,533,696
Nonmajor funds	75,338	-	582	75,920
	<u>\$ 1,000,782</u>	<u>\$ 535,100</u>	<u>\$ 638,064</u>	<u>\$ 2,173,946</u>

The transfers from the General Fund represent \$535,100 to the Expendable Trust Fund as voted by Town Meeting, \$29,179 to the Library Fund as part of the appropriation, and \$51 to the Water Fund. 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 \$75,338 from the Conservation Commission Fund to the General Fund toward the bond payment on the land purchase bond, and \$582 of investment earnings in the Permanent Fund transferred to the Library Fund.

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 \$271,133 for perpetual care and \$33,386 for other purposes representing public trust funds reported as restricted to reflect purpose restrictions contained in trust indentures.

The notes continue on the following page.

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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:			
Endowments	\$ -	\$ -	\$ 233,254
Prepaid items	56,417	-	-
Tax deeded property	26,704	-	-
Total nonspendable	<u>83,121</u>	<u>-</u>	<u>233,254</u>
Restricted:			
General government	-	-	60,895
Public safety	-	-	1,941
Highways and streets	-	-	189,509
Health	-	-	616
Culture and recreation	-	-	105,021
Total restricted	<u>-</u>	<u>-</u>	<u>357,982</u>
Committed:			
Highways and streets	197,501	-	-
Sanitation	-	-	1,081,213
Water distribution and treatment	-	-	8,366
Welfare	-	-	32,901
Culture and recreation	-	-	121,208
Conservation	-	-	376,207
Capital outlay	-	4,118,818	114,776
Total committed	<u>197,501</u>	<u>4,118,818</u>	<u>1,734,671</u>
Assigned:			
General government	28,045	-	-
Public safety	68,461	-	-
Highways and streets	3,000	-	-
Total assigned	<u>99,506</u>	<u>-</u>	<u>-</u>
Unassigned	257,188	-	-
Total fund balance	<u>\$ 637,316</u>	<u>\$ 4,118,818</u>	<u>\$ 2,325,907</u>

III.D.3. Restatement of Beginning Equity Balances

The beginning equity balances were restated as follow:

	Governmental Activities	General Fund
To correct double posting of accounts payable	\$ 20,947	\$ 20,947
To correct balance of accumulated depreciation	47,322	-
To adjust OPEB liability for change in standard	548,600	-
Net position/fund balance, as previously reported	<u>37,317,440</u>	<u>(2,117,481)</u>
Net position/fund balance, as restated	<u>\$ 37,934,309</u>	<u>\$ (2,096,534)</u>

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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 2018 to be recorded as an insurance expenditure/expense totaled \$79,730,996 for property/liability and \$93,454 for workers' compensation. Because the Town has paid for the workers' compensation for the calendar year 2018, there is a prepaid amount of \$46,727 that is applicable to the first half of fiscal year 2019, and is reported as a prepaid asset in the financial statements. 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%, 11.80%, and 7.0%, respectively, of gross earnings. During fiscal year 2018, 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 2016, 2017 and 2018 were \$497,074, \$524,325 and \$607,762, respectively.

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

At June 30, 2018, the Town reported a liability of \$6,302,166 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2018, the Town's proportion was 0.1281%, which was a decrease of 0.0022% from its proportion reported as of June 30, 2017.

For the year ended June 30, 2018, the Town recognized pension expense of \$685,238. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 93,526	\$ 181,204
Net difference between projected and actual earnings on pension plan investments	-	80,261
Differences between expected and actual experience	14,290	80,208
Changes in assumptions	632,821	
Town contributions subsequent to the measurement date	607,728	-
	<u>\$ 1,348,365</u>	<u>\$ 341,673</u>

The Town reported \$607,728 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, 2019.

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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,	
2019	\$ 78,471
2020	237,881
2021	201,785
2022	(119,173)
	<u>\$ 398,964</u>

Actuarial Assumptions

The total pension liability in the June 30, 2017 valuation was determined using the valuation as of June 30, 2016 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 generation 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	\$8,302,788	\$6,302,166	\$4,662,736

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, 2018

IV.C. Contingent Liabilities

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

IV.D. Eversource Appeal of Tax Assessment

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

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

IV.E. Other Postemployment Benefits

Plan Description

As required by NH RSA 100-A:50, *New Hampshire Retirement System: Medical Benefits*, the Town provides its eligible retirees and terminated employees including certain beneficiaries, the ability to purchase health, dental and prescription drug coverage at the Town's group rates. The Town does not supplement the cost of these plans directly, but recognizes the liability for the inclusion of implicit rate subsidies to the retirees. The subsidy occurs because when a blended rate is used for a group of individuals that includes younger and presumably healthier people along with older, retired people, implicitly, the premiums for the active employees are subsidizing the retirees. As of June 30, 2018, there were thirteen retirees with four spouses, and forty-four active employees with twenty spouses participating in the plan.

GAAP now require that the Town account for OPEB on an accrual basis. The effect is the recognition of a determined expense on the Statement of Activities when future retirees earn their OPEB, rather than when they use them. The OPEB liability is recognized on the Statement of Net Position over time.

Benefits Provided

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

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Funding Policy

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

Total OPEB Liability

The Town's total OPEB liability of \$634,138 was measured as of June 30, 2018, and was determined using an alternative measurement method as of that date.

Assumptions Used

The total OPEB liability was determined using a discount rate of 3.24%, and a projected salary increases rate of 2.50%. Healthcare cost trend rates used were 6.00% for medical for this and each of the following ten years; 7.60% for pharmacy for this year, decreasing to 6.20% for the second year, 4.90% for the third year, 4.80% for the next three years, and 4.70% for the seventh through tenth years; 2.00% for dental for all years; and 3.00% for vision for all years.

Changes in the Total OPEB Liability

The Town's total OPEB liability increased by \$155,765 during the year from a beginning balance of \$478,373 to \$634,138.

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 (2.24%) or one percentage point higher (4.24%) than the current rate.

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
Town's total OPEB liability	\$729,917	\$634,138	\$555,532

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 Trend Rate	1% Increase
Town's total OPEB liability	\$541,885	\$634,138	\$748,830

REQUIRED SUPPLEMENTARY INFORMATION

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

	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
Town's proportion of the net pension liability	0.1281%	0.1303%	0.1265%	0.1310%	0.1329%
Town's proportionate share of the net pension liability	\$6,302,166	\$6,926,213	\$5,012,730	\$4,918,796	\$5,719,047
Town's covered-employee payroll	\$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	205.78%	248.65%	180.53%	181.78%	216.76%
Plan fiduciary net position as a percentage of the total pension liability	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
Schedule of the School District's Pension Contributions
New Hampshire Retirement System

	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
Contractually required contribution	\$ 607,762	\$ 523,683	\$ 497,074	\$ 459,361	\$ 425,133
Contribution in relation to the contractually required contribution	607,762	523,683	497,074	459,361	425,133
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$3,062,615	\$2,785,559	\$2,776,708	\$2,705,900	\$2,638,463
Contribution as a percentage of covered-employee payroll	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, NEW HAMPSHIRE
SCHEDULE OF CHANGES IN THE TOWN'S TOTAL OPEB LIABILITY

	Total OPEB Liability	Change in Fiduciary Net Position	Net OPEB Liability
Balance as of Prior Measurement Date	\$ 478,373	\$ -	\$ 478,373
Service Cost	20,247	-	20,247
Interest on Total OPEB Liability	30,106	-	30,106
Effect of Plan Change	-	-	-
Effects of Economic/Demographic	(6,124)	-	(6,124)
Gains/Loses	-	-	-
Effects of Assumptions, Changes, Inputs	129,177	-	129,177
Benefit Payments	(705,635)	(705,635)	-
Employer Contributions	-	686,247	(686,247)
Balance as of Current Measurement Date	<u>\$ 634,138</u>	<u>\$ -</u>	<u>\$ 634,138</u>

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, 2018

The Schedule of the Town's Proportionate Share of the Net Pension Liability and the Schedule of the Town's Pension Contributions are meant to present related information for ten years. Because this is the fourth year that the Town has presented the pension schedules, only five years are presented; and because this is the first year that the OPEB information has been presented under the new standard, prior years are not shown. An additional year's information will be added each year until there are ten years shown.

COMBINING AND INDIVIDUAL FUND SCHEDULES

EXHIBIT 12
TOWN OF BOW, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2018

	Special Revenue Funds												Capital Projects Fund			
	Baker Free Library	Recreation Revolving	Recreation Fields	Heritage	Conservation Commission	Water	Sewer	300th Anniversary	Welfare Holiday Baskets	Celebrating Children	Grants	Police Drug Forfeiture	Roads and Bridges	Permanent Fund	Total	
ASSETS																
Cash and cash equivalents	\$ 90,011	\$ 85,349	\$ 6,556	\$ 14,575	\$ 343,648	\$ -	\$ 1,032,501	\$ 1,819	\$ 32,901	\$ 9,963	\$ 190,685	\$ 1,764	\$ 114,776	\$ 24,272	\$ 1,948,820	
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	280,247	280,247	
Receivables:																
Taxes	-	-	-	-	34,090	-	-	-	-	-	-	-	-	-	34,090	
Accounts	-	-	12,367	-	-	19,036	50,298	-	-	-	-	-	-	-	81,701	
Interfund receivable	7,214	-	-	-	-	-	-	-	-	-	-	-	-	-	7,214	
Prepaid items	4,698	-	-	-	-	-	-	-	-	-	-	-	-	-	4,698	
Total assets	<u>\$ 101,923</u>	<u>\$ 85,349</u>	<u>\$ 18,923</u>	<u>\$ 14,575</u>	<u>\$ 377,738</u>	<u>\$ 19,036</u>	<u>\$ 1,082,799</u>	<u>\$ 1,819</u>	<u>\$ 32,901</u>	<u>\$ 9,963</u>	<u>\$ 190,685</u>	<u>\$ 1,764</u>	<u>\$ 114,776</u>	<u>\$ 304,519</u>	<u>\$ 2,356,770</u>	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES																
Liabilities:																
Accounts payable	\$ 58	\$ 724	\$ 6,684	\$ -	\$ 1,531	\$ 1,390	\$ 1,195	\$ -	\$ -	\$ 513	\$ 383	\$ -	\$ -	\$ -	\$ 12,478	
Interfund payable	-	-	-	-	-	9,280	-	-	-	-	-	-	-	7,214	16,494	
Total liabilities	<u>58</u>	<u>724</u>	<u>6,684</u>	<u>-</u>	<u>1,531</u>	<u>10,670</u>	<u>1,195</u>	<u>-</u>	<u>-</u>	<u>513</u>	<u>383</u>	<u>-</u>	<u>-</u>	<u>7,214</u>	<u>28,972</u>	
Deferred inflows of resources:																
Unearned revenue	-	-	-	-	-	-	391	-	-	1,500	-	-	-	-	1,891	
Fund balances:																
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	-	-	233,254	233,254	
Restricted	101,865	-	-	-	-	-	-	-	-	-	190,302	1,764	-	64,051	357,982	
Committed	-	84,625	12,239	14,575	376,207	8,366	1,081,213	1,819	32,901	7,950	-	-	114,776	-	1,734,671	
Total fund balances	<u>101,865</u>	<u>84,625</u>	<u>12,239</u>	<u>14,575</u>	<u>376,207</u>	<u>8,366</u>	<u>1,081,213</u>	<u>1,819</u>	<u>32,901</u>	<u>7,950</u>	<u>190,302</u>	<u>1,764</u>	<u>114,776</u>	<u>297,305</u>	<u>2,325,907</u>	
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 101,923</u>	<u>\$ 85,349</u>	<u>\$ 18,923</u>	<u>\$ 14,575</u>	<u>\$ 377,738</u>	<u>\$ 19,036</u>	<u>\$ 1,082,799</u>	<u>\$ 1,819</u>	<u>\$ 32,901</u>	<u>\$ 9,963</u>	<u>\$ 190,685</u>	<u>\$ 1,764</u>	<u>\$ 114,776</u>	<u>\$ 304,519</u>	<u>\$ 2,356,770</u>	

EXHIBIT 13
TOWN OF BOW, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018

	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	Grants	Police Drug Forfeiture	Roads and Bridges	Permanent Fund	Total
REVENUES																
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 106,754	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 106,754
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-	226,333	-	-	-	226,333
Charges for services	26,253	108,296	11,985	-	-	91,314	197,294	-	-	56,141	72,887	-	-	-	-	564,170
Miscellaneous	815	729	197	540	14,618	-	14,317	25	5,255	-	147	7,177	18	-	33,879	77,717
Total revenues	27,068	109,025	12,182	540	121,372	91,314	211,611	25	5,255	56,141	73,034	233,510	18	-	33,879	974,974
EXPENDITURES																
Current:																
General government	-	-	-	-	-	-	-	-	-	-	-	6,384	-	-	-	6,384
Public safety	-	-	-	-	-	-	-	-	-	56,141	-	36,824	108	-	-	93,073
Sanitation	-	-	-	-	-	-	164,346	-	-	-	-	-	-	-	-	164,346
Water distribution and treatment	-	-	-	-	-	89,717	-	-	-	-	-	-	-	-	-	89,717
Welfare	-	-	-	-	-	-	-	-	2,996	-	-	-	-	-	-	2,996
Culture and recreation	6,648	59,897	-	250	-	-	-	-	-	-	69,217	-	-	-	-	136,012
Conservation	-	-	-	-	6,896	-	-	-	-	-	-	-	-	-	-	6,896
Capital outlay	-	-	10,800	-	-	-	-	-	-	-	-	-	-	686,274	-	697,074
Total expenditures	6,648	59,897	10,800	250	6,896	89,717	164,346	-	2,996	56,141	69,217	43,208	108	686,274	-	1,196,498
Excess (deficiency) of revenues over (under) expenditures	20,420	49,128	1,382	290	114,476	1,597	47,265	25	2,259	-	3,817	190,302	(90)	(686,274)	33,879	(221,524)
Other financing sources (uses):																
Transfers in	29,761	-	-	-	-	51	-	-	-	-	-	-	-	608,252	-	638,064
Transfers out	-	-	-	-	(75,338)	-	-	-	-	-	-	-	-	-	(582)	(75,920)
Total other financing sources and uses	29,761	-	-	-	(75,338)	51	-	-	-	-	-	-	-	608,252	(582)	562,144
Net change in fund balances	50,181	49,128	1,382	290	39,138	1,648	47,265	25	2,259	-	3,817	190,302	(90)	(78,022)	33,297	340,620
Fund balances, beginning, as restated, see Note III.D.	51,684	35,497	10,857	14,285	337,069	6,718	1,033,948	1,794	30,642	-	4,133	-	1,854	192,798	264,008	1,985,287
Fund balances, ending	\$ 101,865	\$ 84,625	\$ 12,239	\$ 14,575	\$ 376,207	\$ 8,366	\$ 1,081,213	\$ 1,819	\$ 32,901	\$ -	\$ 7,950	\$ 190,302	\$ 1,764	\$ 114,776	\$ 297,305	\$ 2,325,907

EXHIBIT 14
TOWN OF BOW, NEW HAMPSHIRE
General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Year Ended June 30, 2018

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 7,110,055	\$ 8,336,456	\$ 1,226,401
Timber	5,000	12,866	7,866
Excavation	8,000	8,218	218
Interest and penalties on delinquent taxes	95,000	85,610	(9,390)
Total taxes	<u>7,218,055</u>	<u>8,443,150</u>	<u>1,225,095</u>
Licenses, permits and fees:			
Business licenses and permits	38,500	40,178	1,678
Motor vehicle permits	2,200,000	2,285,349	85,349
Building permits	65,000	109,550	44,550
Other	10,200	10,081	(119)
Total licenses, permits and fees	<u>2,313,700</u>	<u>2,445,158</u>	<u>131,458</u>
Intergovernmental:			
State sources:			
Meals and rooms distributions	397,687	397,687	-
Highway block grant	223,996	223,868	(128)
State and federal forest land	77	81	4
Other	2,736	2,371	(365)
Total intergovernmental	<u>624,496</u>	<u>624,007</u>	<u>(489)</u>
Charges for services:			
Income from departments	<u>495,990</u>	<u>498,212</u>	<u>2,222</u>
Miscellaneous:			
Sale of property	1,000	-	(1,000)
Interest on investments	10,000	146,848	136,848
Rent of property	10,000	7,434	(2,566)
Contributions and donations	-	15,033	15,033
Other	10,000	83,137	73,137
Total miscellaneous	<u>31,000</u>	<u>252,452</u>	<u>221,452</u>
Other financing sources:			
Transfers in:			
Expendable trust fund	312,000	925,444	613,444
Nonmajor funds	25,000	75,338	50,338
Total other financing sources	<u>337,000</u>	<u>1,000,782</u>	<u>663,782</u>
Total revenues and other financing sources	<u><u>\$ 11,020,241</u></u>	<u><u>\$ 13,263,761</u></u>	<u><u>\$ 2,243,520</u></u>

EXHIBIT 15
TOWN OF BOW, NEW HAMPSHIRE
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended June 30, 2018

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 269,109	\$ 275,949	\$ -	\$ (6,840)
Election and registration	-	229,590	205,471	-	24,119
Financial administration	-	509,858	457,216	-	52,642
Legal	-	146,800	62,948	-	83,852
Personnel administration	-	11,000	20,399	-	(9,399)
Planning and zoning	-	418,549	395,495	-	23,054
General government buildings	28,966	270,092	338,603	28,045	(67,590)
Cemeteries	-	23,200	33,564	-	(10,364)
Insurance, not otherwise allocated	-	81,608	79,730	-	1,878
Total general government	28,966	1,959,806	1,869,375	28,045	91,352
Public safety:					
Police	-	1,689,227	1,647,704	39,321	2,202
Fire	1,913	1,172,372	1,150,482	29,060	(5,257)
Building inspection	1,007	-	1,007	-	-
Emergency management	-	19,960	18,091	80	1,789
Total public safety	2,920	2,881,559	2,817,284	68,461	(1,266)
Highways and streets:					
Public works	-	1,302,006	1,219,876	-	82,130
Highways and streets	-	463,518	461,494	3,000	(976)
Street lighting	-	37,000	40,017	-	(3,017)
Total highways and streets	-	1,802,524	1,721,387	3,000	78,137
Sanitation:					
Solid waste disposal	-	708,430	702,887	-	5,543
Health:					
Administration	-	2,416	1,715	-	701
Health agencies and hospitals	-	2,600	2,850	-	(250)
Total health	-	5,016	4,565	-	451
Welfare	-	8,825	3,387	-	5,438
Culture and recreation:					
Parks and recreation	3,930	289,275	270,559	-	22,646
Public library	-	513,957	484,682	-	29,275
Patriotic purposes	-	500	500	-	-
Other	-	1,750	1,399	-	351
Total culture and recreation	3,930	805,482	757,140	-	52,272

(continued)

EXHIBIT 15 (continued)
TOWN OF BOW, NEW HAMPSHIRE
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended June 30, 2018

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal	-	1,066,850	1,066,850	-	-
Interest on long-term debt	-	467,898	434,150	-	33,748
Interest on tax anticipation note	-	1	-	-	1
Total debt service	-	1,534,749	1,501,000	-	33,749
Capital outlay:					
Machinery, vehicles and equipment	-	347,000	326,349	-	20,651
Buildings	55,208	-	94,708	-	(39,500)
Improvements other than buildings	-	335,000	137,499	197,501	-
Total capital outlay	55,208	682,000	558,556	197,501	(18,849)
Other financing uses:					
Transfers out:					
Expendable trust fund	-	535,100	535,100	-	-
Nonmajor funds	-	96,750	29,230	-	67,520
Total other financing uses	-	631,850	564,330	-	67,520
Total encumbrances, appropriations, expenditures and other financing uses	\$ 91,024	\$ 11,020,241	\$ 10,499,911	\$ 297,007	\$ 314,347

EXHIBIT 16
TOWN OF BOW, NEW HAMPSHIRE
General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Year Ended June 30, 2018

Unassigned fund balance, beginning, as restated			\$ (1,937,814)
Changes:			
Budget summary:			
Revenue surplus (Exhibit 14)	\$ 2,243,520		
Unexpended balance of appropriations (Exhibit 15)	<u>314,347</u>		
Budget surplus		2,557,867	
Increase in nonspendable fund balance		<u>(19,311)</u>	
Unassigned fund balance, ending			<u><u>\$ 600,742</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, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Bow's internal control.

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

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

We did note the following that we 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.

January 23, 2019

Roberts & Greene, PLLC