

TOWN OF BOW, NEW HAMPSHIRE

FINANCIAL REPORT

AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

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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, 2020, 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, 2020, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and pension and OPEB information on pages 3-8 and 39-43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

February 11, 2021

Roberts & Greene, PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

Having responsibility for the financial management of the Town of Bow ("Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended June 30, 2020.

Financial Highlights

As of June 30, 2020, the assets of the Town exceeded its liabilities by \$33,572,456 (net position).

The Town's net position increased by \$1,859,983.

As of June 30, 2020, the Town's governmental funds reported combined ending fund balances of \$8,311,078, an increase of \$2,564,971 in comparison with the prior year.

As of June 30, 2020, the \$897,020 unassigned fund balance of the General Fund represented 8% of total General Fund expenditures.

During the year ended June 30, 2020, the Town's total general obligation bonded debt decreased by \$1,065,000, representing bond principal payments.

Overview of the Financial Statements

The following discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: government-wide financial statements; fund financial statements; and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information showing how the Town's net position changed during the year ended June 30, 2020. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

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

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

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

Government-Wide Financial Analysis

As noted above, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$33,572,456 at June 30, 2020.

The largest portion of the Town's net position (100%) 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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2020</u>	<u>June 30, 2019</u>
Current assets	\$ 26,266,900	\$ 27,528,493
Capital assets	<u>47,145,948</u>	<u>49,738,603</u>
Total assets	73,412,848	77,267,096
Deferred outflows of resources	1,053,263	1,271,973
Long-term liabilities outstanding	23,188,129	18,122,147
Current liabilities	<u>13,235,588</u>	<u>12,137,579</u>
Total liabilities	36,423,717	30,259,726
Deferred inflows of resources	4,469,938	5,273,244
Net position:		
Invested in capital assets, net of related debt	38,395,948	39,493,942
Restricted	458,707	593,620
Unrestricted	<u>(4,918,656)</u>	<u>2,918,537</u>
Total net position	\$ 33,572,456	\$ 43,006,099

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

As indicated by the schedule below, the Town's net position increased by \$1,859,983 during the year ended June 30, 2020.

Town of Bow
Changes in Net Position

	Year Ended <u>June 30, 2020</u>	Year Ended <u>June 30, 2019</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,166,328	\$ 1,179,170
Operating grants and contributions	309,015	40,014
Capital grants and contributions	231,734	227,037
General revenues:		
Property taxes and other taxes	8,914,051	9,467,048
Licenses and permits	2,469,204	2,465,357
Unrestricted grants and contributions	463,991	425,754
Miscellaneous	<u>187,008</u>	<u>632,560</u>
Total revenues	13,741,331	14,436,940
Expenses:		
General government	2,199,927	2,154,164
Public safety	3,636,461	3,311,506
Highways and streets	2,883,618	2,779,287
Sanitation	1,258,416	966,784
Water distribution and treatment	84,953	84,089
Health and welfare	4,461	13,743
Culture and recreation	853,377	919,945
Conservation	34,003	31,087
Interest on long-term debt	270,126	317,181
Capital outlay	<u>645,144</u>	<u>948,592</u>
Total expenses	<u>11,881,348</u>	<u>11,526,378</u>
Change in net position	1,859,983	2,910,562
Net position – July 1	<u>31,712,473</u>	<u>40,095,537</u>
Net position – June 30	\$33,572,456	\$43,006,099

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, 2020, the Town's governmental funds reported combined fund balances of \$8,311,078, an increase of \$2,564,971 in comparison to the prior year. This amount consists of: non-spendable fund balances of \$319,246 representing, tax deeded property for resale, prepaid expenditures and the non-spendable portion of permanent funds; restricted fund balances of \$228,148 representing the library fund and the expendable portion of permanent funds; committed fund balances of \$6,852,160 representing designations by Town Meeting votes for future expenditures and the special revenue and capital project funds; assigned fund balances of \$14,504 representing purchase orders or encumbrances authorized by the Board of Selectmen; and a General Fund unassigned fund balance of \$897,020.

The General Fund is the chief operating fund of the Town. As of June 30, 2020, the unassigned fund balance of the General Fund was \$897,020, while total fund balance amounted to \$1,149,405.

During the year ended June 30, 2020, the unassigned fund balance of the General Fund increased by \$1,962,670.

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, 2020. Actual revenues and transfers in of the General Fund were over budgetary estimates by \$983,043, while expenditures and transfers out were \$2,537,282 under budget. This produced a favorable total variance of \$3,520,325.

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets as of June 30, 2020 amounted to \$38,032,405 (net of accumulated depreciation and related long-term debt). This investment in capital assets includes land, buildings, improvements, machinery, equipment, vehicles, and infrastructure and represents a decrease of \$1,461,538 compared to the investment in capital assets at July 1, 2019, which is primarily the result of depreciation.

Town of Bow Investment in Capital Assets

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Land	\$ 7,542,890	\$ 7,542,890
Buildings and improvements	9,133,197	9,133,197
Machinery, equipment, and vehicles	7,118,883	7,751,944
Infrastructure	58,539,331	58,539,331
Sewer lines	1,703,756	1,703,756
Construction in progress	<u>857,164</u>	<u>544,687</u>
Total investment in capital assets	84,895,221	85,215,804
Related long-term debt	(9,113,543)	(10,244,660)
Accumulated depreciation	<u>(37,749,273)</u>	<u>(35,477,201)</u>
Net investment in capital assets	\$ 38,032,405	\$ 39,493,943

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-term bonded debt. As of June 30, 2020, the Town had total long-term bonded debt outstanding of \$8,570,000. The entire amount is backed by the full faith and credit of the Town.

Town of Bow Long-Term Bonded Debt

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
2007 land acquisition bonds	165,000	225,000
2012 water and sewer system bonds	4,565,000	5,220,000
2008 water and sewer system bonds	990,000	1,100,000
2016 public safety bond	<u>2,850,000</u>	<u>3,090,000</u>
Total long-term debt	\$8,570,000	\$9,635,000

There were no authorized but unissued bonds at June 30, 2020.

Economic Factors

Economic factors. The general outlook for Bow's economy seems to be stable. Based on New Hampshire Office of Employment Security estimates, Bow's population has increased by 4% since the 2010 census and by 9% since the 2000 census. The median household income in Bow has long been considerably greater than state and national averages. While the unemployment rate for Bow has increased from 2.0% to 6.6% during the past year, it still compares very favorably with state and national rates of 9.2% and 11.1%, respectively. More importantly, there continues to be a slight increase in building permits and new vehicle registrations. The Bow Business Development Commission continues to work toward attracting new businesses. Feasibility studies of water and sewer system expansions in the business districts, suggest continued industrial and commercial growth, which Bow has started recently enjoying and which is so important to increasing the tax base and to providing diverse employment opportunities. Of course Bow's economy is influenced by national and state economic conditions which have been uncertain this past year and may continue into the near future.

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, 2020

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 15,476,320
Investments	4,608,007
Receivables, net of allowance for uncollectibles	6,093,886
Prepaid items	62,527
Tax dedeed property held for resale	26,160
Capital assets, not being depreciated:	
Land	7,542,890
Construction in progress	857,164
Capital assets, net of accumulated depreciation:	
Vehicles	982,319
Buildings and building improvements	7,702,738
Machinery and equipment	787,203
Sewer lines	772,254
Roads	15,586,097
Bridges	1,155,607
Water and sewer system	11,267,181
Other infrastructure	492,495
Total assets	73,412,848
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pensions	987,285
Deferred amounts related to OPEB	65,978
Total deferred outflows of resources	1,053,263
LIABILITIES	
Accounts payable	260,973
Accrued payroll and benefits	140,441
Accrued interest payable	121,042
Intergovernmental payable	12,267,405
Performance and escrow deposits	445,727
Noncurrent obligations:	
Due within one year:	
Bonds payable	1,060,000
Unamortized bond premium	54,305
Capital leases payable	12,618
Compensated absences payable	24,660
Accrued landfill postclosure care costs	9,000
PSNH settlement	1,550,000
Due in more than one year:	
Bonds payable	7,510,000
Unamortized bond premium	466,196
Capital leases payable	10,424
Compensated absences payable	320,036
Accrued landfill postclosure care costs	81,000
Net pension liability	6,321,114
Other postemployment benefits liability	1,568,776
PSNH settlement	4,200,000
Total liabilities	36,423,717
DEFERRED INFLOWS OF RESOURCES	
Unearned revenue	4,229,877
Deferred amounts related to pensions	238,270
Deferred amounts related to OPEB	1,791
Total deferred inflows of resources	4,469,938
NET POSITION	
Net investment in capital assets	38,032,405
Restricted for:	
Perpetual care:	
Nonexpendable	202,766
Expendable	106,509
Other purposes	149,432
Unrestricted	(4,918,656)
Total net position	\$ 33,572,456

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, 2020

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 2,199,927	\$ 28,203	\$ 104,416	\$ -	\$ (2,067,308)
Public safety	3,636,461	412,031	3,940	-	(3,220,490)
Highways and streets	2,883,618	29,657	-	231,734	(2,622,227)
Sanitation	1,258,416	389,167	-	-	(869,249)
Water distribution and treatment	84,953	86,161	-	-	1,208
Health	4,461	-	7,137	-	2,676
Welfare	10,862	-	20,660	-	9,798
Culture and recreation	853,377	213,618	2,132	-	(637,627)
Conservation	34,003	7,491	5,582	-	(20,930)
Interest on long-term debt	270,126	-	-	-	(270,126)
Capital outlay	645,144	-	165,148	-	(479,996)
Total governmental activities	<u>\$ 11,881,348</u>	<u>\$ 1,166,328</u>	<u>\$ 309,015</u>	<u>\$ 231,734</u>	<u>(10,174,271)</u>
General revenues:					
Property taxes					8,808,833
Other taxes					105,218
Licenses and permits					2,469,204
Grants and contributions not restricted to specific programs					463,991
Miscellaneous					187,008
Total general revenues					<u>12,034,254</u>
Change in net position					<u>1,859,983</u>
Net position, beginning, as restated, see Note III.D.					<u>31,712,473</u>
Net position, ending					<u>\$ 33,572,456</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, 2020

	General	Expendable Trust	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 12,430,720	\$ 370,683	\$ 2,674,917	\$ 15,476,320
Investments	-	4,293,855	314,152	4,608,007
Receivables, net of allowance for uncollectibles:				
Taxes	5,858,790	-	17,418	5,876,208
Accounts	98,656	-	80,077	178,733
Intergovernmental	38,945	-	-	38,945
Interfund receivable	345,940	-	52,291	398,231
Prepaid items	62,527	-	-	62,527
Tax deeded property held for resale	26,160	-	-	26,160
Total assets	<u>\$ 18,861,738</u>	<u>\$ 4,664,538</u>	<u>\$ 3,138,855</u>	<u>\$ 26,665,131</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 201,129	\$ -	\$ 59,844	\$ 260,973
Accrued salaries and benefits	140,441	-	-	140,441
Intergovernmental payable	12,267,405	-	-	12,267,405
Interfund payable	-	387,046	11,185	398,231
Escrow and performance deposits	445,727	-	-	445,727
Total liabilities	<u>13,054,702</u>	<u>387,046</u>	<u>71,029</u>	<u>13,512,777</u>
Deferred inflows of resources:				
Deferred revenue	4,657,631	-	183,645	4,841,276
Fund balances:				
Nonspendable	88,687	-	230,559	319,246
Restricted	-	-	228,148	228,148
Committed	149,194	4,277,492	2,425,474	6,852,160
Assigned	14,504	-	-	14,504
Unassigned	897,020	-	-	897,020
Total fund balances	<u>1,149,405</u>	<u>4,277,492</u>	<u>2,884,181</u>	<u>8,311,078</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 18,861,738</u>	<u>\$ 4,664,538</u>	<u>\$ 3,138,855</u>	<u>\$ 26,665,131</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, 2020

Total fund balances of governmental funds (Exhibit 3)		\$ 8,311,078
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	\$ 84,895,221	
Less accumulated depreciation	<u>(37,749,273)</u>	47,145,948
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	\$ (398,231)	
Payables	<u>398,231</u>	-
Revenues that are not available to pay for current period expenditures are deferred in the funds.		
Unavailable tax revenue	\$ 590,773	
Unavailable ambulance revenue	<u>20,626</u>	611,399
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(121,042)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds outstanding	\$ 8,570,000	
Unamortized bond premium	520,501	
Capital leases outstanding	23,042	
Compensated absences payable	344,696	
Accrued landfill postclosure care costs	90,000	
Net pension liability	6,321,114	
Other postemployment benefits liability	1,568,776	
PSNH settlement	<u>5,750,000</u>	(23,188,129)
Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	\$ 987,285	
Deferred outflows of resources related to OPEB	65,978	
Deferred inflows of resources related to pensions	(238,270)	
Deferred inflows of resources related to OPEB	<u>(1,791)</u>	813,202
Total net position of governmental activities (Exhibit 1)		<u><u>\$ 33,572,456</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, 2020

	General	Expendable Trust	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 8,432,097	\$ -	\$ 429,015	\$ 8,861,112
Licenses, permits and fees	2,428,172	-	-	2,428,172
Intergovernmental	802,250	-	8,035	810,285
Charges for services	500,798	-	642,649	1,143,447
Miscellaneous	180,513	165,148	102,290	447,951
Total revenues	<u>12,343,830</u>	<u>165,148</u>	<u>1,181,989</u>	<u>13,690,967</u>
Expenditures:				
Current:				
General government	1,952,571	57,644	2,884	2,013,099
Public safety	3,007,834	-	93,132	3,100,966
Highways and streets	1,577,851	-	160,738	1,738,589
Sanitation	793,699	-	125,493	919,192
Water distribution and treatment	-	-	84,953	84,953
Health	4,097	-	364	4,461
Welfare	6,918	-	3,944	10,862
Culture and recreation	584,802	-	215,146	799,948
Conservation	-	-	34,003	34,003
Debt service:				
Principal	1,065,000	-	-	1,065,000
Interest	340,589	-	-	340,589
Capital outlay	927,089	-	87,245	1,014,334
Total expenditures	<u>10,260,450</u>	<u>57,644</u>	<u>807,902</u>	<u>11,125,996</u>
Excess of revenues over expenditures	<u>2,083,380</u>	<u>107,504</u>	<u>374,087</u>	<u>2,564,971</u>
Other financing sources (uses):				
Transfers in	494,787	680,893	82,987	1,258,667
Transfers out	(688,159)	(486,446)	(84,062)	(1,258,667)
Total other financing sources and uses	<u>(193,372)</u>	<u>194,447</u>	<u>(1,075)</u>	<u>-</u>
Net change in fund balances	1,890,008	301,951	373,012	2,564,971
Fund balances, beginning, as restated, see Note III.D.	(740,603)	3,975,541	2,511,169	5,746,107
Fund balances, ending	<u>\$ 1,149,405</u>	<u>\$ 4,277,492</u>	<u>\$ 2,884,181</u>	<u>\$ 8,311,078</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, 2020

Net change in fund balances of governmental funds (Exhibit 5)		\$ 2,564,971
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>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.</p>		
Capitalized capital outlay	\$ 369,190	
Depreciation expense	<u>(1,675,681)</u>	(1,306,491)
<p>The net effect of the disposal of capital assets decreased net position.</p>		
		(6,014)
<p>Transfers in and out between governmental funds are eliminated on the operating statement.</p>		
Transfers in	\$ (1,258,667)	
Transfers out	<u>1,258,667</u>	-
<p>Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in governmental funds.</p>		
Change in unavailable tax revenue	\$ 51,750	
Change in unavailable ambulance revenue	<u>4,628</u>	56,378
<p>The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net position.</p>		
Repayment of bond principal	\$ 1,065,000	
Amortization of bond premium	54,304	
Repayment of capital lease principal	<u>11,812</u>	1,131,116
<p>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.</p>		
Decrease in accrued interest expense	\$ 16,159	
Increase in compensated absences payable	(30,734)	
Increase in net pension liability	(93,467)	
Increase in OPEB liability and related deferrals	<u>(370,072)</u>	(478,114)
<p>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.</p>		
Town pension contributions	\$ 587,422	
Cost of benefits earned, net of employee contributions	<u>(689,285)</u>	(101,863)
Change in net position of governmental activities (Exhibit 2)		<u><u>\$ 1,859,983</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, 2020

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 7,657,852	\$ 8,483,847	\$ 825,995
Licenses, permits and fees	2,450,750	2,428,172	(22,578)
Intergovernmental	697,272	802,250	104,978
Charges for services	456,663	500,798	44,135
Miscellaneous	150,000	180,513	30,513
Total revenues	<u>11,412,537</u>	<u>12,395,580</u>	<u>983,043</u>
EXPENDITURES			
Current:			
General government	3,823,345	1,950,688	1,872,657
Public safety	2,959,941	3,014,443	(54,502)
Highways and streets	1,720,901	1,573,956	146,945
Sanitation	786,173	793,699	(7,526)
Health	5,934	4,097	1,837
Welfare	6,492	6,918	(426)
Culture and recreation	655,815	584,472	71,343
Debt service:			
Principal	1,065,000	1,065,000	-
Interest on long-term debt	352,776	340,589	12,187
Interest on tax anticipation note	1	-	1
Capital outlay	1,343,892	849,126	494,766
Total expenditures	<u>12,720,270</u>	<u>10,182,988</u>	<u>2,537,282</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,307,733)</u>	<u>2,212,592</u>	<u>3,520,325</u>
Other financing sources (uses):			
Transfers in	995,892	494,787	(501,105)
Transfers out	(688,159)	(688,159)	-
Total other financing sources and uses	<u>307,733</u>	<u>(193,372)</u>	<u>(501,105)</u>
Net change in fund balance	<u>\$ (1,000,000)</u>	2,019,220	<u>\$ 3,019,220</u>
Increase in nonspendable fund balance		(4,800)	
Unassigned fund balance, beginning, as restated		(526,627)	
Unassigned fund balance, ending		<u>\$ 1,487,793</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, 2020

	<u>Agency</u>
Assets:	
Cash and cash equivalents	\$ 165,119
Investments	<u>1,911,282</u>
Total assets	<u>2,076,401</u>
Liabilities:	
School district funds	<u>2,076,401</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, 2020

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, 2020.

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, 2020

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, 2020

I.B.4. Fund Types and Major Funds

Governmental Funds

The Town reports the following major governmental funds:

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

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

The Town also reports sixteen nonmajor governmental funds.

Fiduciary Funds

The Town reports the following fiduciary funds:

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

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

I.C.1. Cash and Investments

The laws of the State of New Hampshire require that the Town’s treasurer have custody of all monies belonging to the Town, other than those held by the trustees of trust funds and library trustees, and pay out the same only upon orders of the Town Manager or Board of Selectmen. The treasurer shall deposit all monies in participation units in the public deposit investment pool established pursuant to N.H. RSA 383:22 or in solvent banks in the state. Funds may be deposited in banks outside the state if such banks pledge or deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations, or obligations of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

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

New Hampshire law authorizes the Town to invest in obligations of the United States government; the public deposit investment pool established pursuant to RSA 383:22; savings bank deposits; prime bankers’ acceptances; or certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the state treasurer.

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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 acquisition 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:

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

I.C.3. Long-Term Debt

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

I.C.4. Equity

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

- Net investment in capital assets, which is computed as the total capital assets less accumulated depreciation, net of outstanding debt used to acquire those assets.

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2020

- 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 balance of the grants fund whose use is restricted by grant terms or law.
- Committed, representing the unspent balances of special warrant articles, and the balances of capital projects funds (including the expendable trust fund), and special revenue funds.
- Assigned, representing amounts encumbered by purchase order or action of the Board of Selectmen.
- Unassigned, representing the remaining balance of the General Fund.

I.C.5. *Use of Estimates*

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

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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 nonlapsing or encumbered, all governmental fund appropriations lapse at year-end. The Town is allowed to use beginning unassigned fund balance to balance the budget. In fiscal year 2020, \$1,000,000 of the General Fund unassigned fund balance from fiscal year 2019 was so used.

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

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

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

Revenues and other financing sources:	
Per Exhibit 7 (budgetary basis)	\$ 12,890,367
Adjustments:	
Basis difference:	
Tax revenue deferred in the prior year	539,023
Tax revenue deferred in the current year	(590,773)
Per Exhibit 5 (GAAP basis)	<u>\$ 12,838,617</u>
Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	\$ 10,871,147
Adjustments:	
Basis difference:	
Encumbrances, beginning	241,160
Encumbrances, ending	(163,698)
Per Exhibit 5 (GAAP basis)	<u>\$ 10,948,609</u>

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Unassigned fund balance:	
Per Exhibit 7 (budgetary basis)	\$ 1,487,793
Adjustment:	
Basis difference:	
Deferred tax revenue, GAAP basis	(590,773)
Per Exhibit 3 (GAAP basis)	<u>\$ 897,020</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 \$15,641,439 which represented bank balances of \$15,615,482, of which \$316,643, 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, 2020, the Town had the following investments:

Certificates of Deposit	\$ 777,178
U.S. Government Obligations	4,191,854
U.S. Treasury Obligations	100,022
Mutual Funds	324,322
Corporate Bonds	1,121,164
Mortgage-Backed Securities	4,749
	<u>\$ 6,519,289</u>

The investments appear in the financial statements as follow:

Fund reporting level:	
Governmental funds - balance sheet (Exhibit 3)	\$ 4,608,007
Fiduciary funds - statement of fiduciary net position (Exhibit 8)	<u>1,911,282</u>
Total	<u>\$ 6,519,289</u>

Investment Policies

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. It is the Town's policy to limit its investments to fixed income securities from issuers having a Baa3 or BBB or better long-term debt rating from one or more of the primary rating agencies,

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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.

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 8% per annum on all taxes billed in 2019 or later, and 12% per annum on all prior taxes, not received by the due date. The first billing is an estimate only based on half of the previous year’s billing. The final billing is levied based on an inventory taken in April of each year (the tax year runs from April 1 to March 31), and is assessed after the tax rate has been calculated and set by the New Hampshire Department of Revenue Administration. A lien should be executed on any unpaid property taxes in the following year and this lien takes priority over any others. Interest of 18% per annum is charged upon redemption of liened taxes. Properties not redeemed within two years of the date of the tax lien should be deeded to the Town.

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

The net assessed valuation as of April 1, 2019, on which the FY20 property tax levy was based was:

For the New Hampshire education tax	\$ 1,162,609,169
For all other taxes	\$ 1,274,587,874

The tax rates and amounts assessed for the year ended June 30, 2020 were as follow:

	Per \$1,000 of Assessed Valuation	
Municipal portion	\$7.11	\$ 9,052,011
School portion:		
State of New Hampshire	\$1.86	2,167,917
Local	\$14.70	18,737,008
County portion	\$2.54	3,241,732
Total property taxes assessed		\$33,198,668

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The following details the taxes receivable at year-end:

Property:		
Levy of 2020		\$ 5,556,667
Levy of 2019		229,227
Unredeemed (under tax lien):		
Levy of 2018		87,557
Levy of 2017		33,589
Land use change		17,418
Excavation		1,750
Less: allowance for estimated uncollectible taxes		<u>(50,000)</u>
Net taxes receivable		<u><u>\$ 5,876,208</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		\$ 430,788
Intergovernmental		38,945
Less: allowance for uncollectible amounts		<u>(252,055)</u>
Net total receivables		<u><u>\$ 217,678</u></u>

Deferred revenue in the governmental funds consists of \$590,773 of taxes, and \$20,626 of ambulance charges that were not received within sixty days of year-end; and \$3,803,934 of property taxes committed for the fiscal year 2020, \$418,682 of tax overpayments to be applied to the next billing, \$4,821 of sewer overpayments, \$2,040 of fall preschool tuition collected in advance, and \$400 of services charges paid in advance. In the governmental activities, the amounts that were not received within the sixty days are not considered to be deferred, and the other amounts are reported as unearned.

The notes continue on the following page.

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2020

III.A.4. Capital Assets

Changes in Capital Assets

The following provides a summary of changes in capital assets:

	Balance, beginning	Additions	Deletions	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 7,542,890	\$ -	\$ -	\$ 7,542,890
Construction in progress	544,687	312,477	-	857,164
Total capital assets not being depreciated	<u>8,087,577</u>	<u>312,477</u>	<u>-</u>	<u>8,400,054</u>
Being depreciated:				
Vehicles	4,488,762	-	(163,000)	4,325,762
Buildings and improvements	9,133,197	-	-	9,133,197
Machinery and equipment	3,307,591	56,713	(571,183)	2,793,121
Sewer lines	1,703,756	-	-	1,703,756
Roads	42,515,644	-	-	42,515,644
Bridges	1,680,619	-	-	1,680,619
Water and sewer system	13,740,462	-	-	13,740,462
Other infrastructure	602,606	-	-	602,606
Total capital assets being depreciated	<u>77,172,637</u>	<u>56,713</u>	<u>(734,183)</u>	<u>76,495,167</u>
Total all capital assets	<u>85,260,214</u>	<u>369,190</u>	<u>(734,183)</u>	<u>84,895,221</u>
Less accumulated depreciation:				
Vehicles	(3,257,583)	(248,860)	163,000	(3,343,443)
Buildings and improvements	(1,317,253)	(113,206)	-	(1,430,459)
Machinery and equipment	(2,421,236)	(149,851)	565,169	(2,005,918)
Sewer lines	(897,427)	(34,075)	-	(931,502)
Roads	(26,117,799)	(811,748)	-	(26,929,547)
Bridges	(494,532)	(30,480)	-	(525,012)
Water and sewer system	(2,198,472)	(274,809)	-	(2,473,281)
Other infrastructure	(97,459)	(12,652)	-	(110,111)
Total accumulated depreciation	<u>(36,801,761)</u>	<u>(1,675,681)</u>	<u>728,169</u>	<u>(37,749,273)</u>
Net book value, capital assets being depreciated	<u>40,370,876</u>	<u>(1,618,968)</u>	<u>(6,014)</u>	<u>38,745,894</u>
Net book value, all capital assets	<u>\$ 48,458,453</u>	<u>\$ (1,306,491)</u>	<u>\$ (6,014)</u>	<u>\$ 47,145,948</u>

This note continues on the following page.

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

Governmental activities:	
General government	\$ 77,522
Public safety	219,491
Highways and streets	1,020,777
Sanitation	339,224
Culture and recreation	18,667
Total depreciation expense	<u>\$ 1,675,681</u>

III.B. Liabilities

III.B.1. Intergovernmental Payable

The amounts due to other governments at June 30, 2020 consist of \$7,583 of miscellaneous fees due to the State of New Hampshire, and the portions of the June property tax commitment due to the School District (\$11,160,294) and Merrimack County (\$1,099,528).

III.B.2. PSNH Settlement

Public Service Company of New Hampshire (PSNH), doing business as Eversource Energy, had filed litigation involving the tax years from 2014 through 2018. During fiscal year 2019, a settlement was reached which stipulates the assessment of Eversource property in Bow for the years 2019 through 2023 which Eversource will not challenge. The Town was bound by the settlement agreement to refund \$10,000,000 to PSNH in the form of \$4,250,000 in three scheduled payments during calendar year 2020, and four years of tax credits in fiscal years 2021-2024 totaling the balance. In the event that the taxes owed are less than the credit for each year, the difference will be refunded. During the current year, the \$4,250,000 has been paid and the four years of credits are reported as a long-term liability in the Governmental Activities.

III.B.3. Long-Term Liabilities

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

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

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Long-term liabilities currently outstanding are as follow:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2020	Current Portion
General obligation bonds payable:						
Land purchase	\$880,600	2007	2023	4.00-5.00	\$ 165,000	\$ 55,000
Water/sewer system	\$2,212,020	2008	2029	4.00-5.00	990,000	110,000
Water/sewer project	\$9,805,300	2011	2027	2.00-4.00	4,565,000	655,000
Public safety	\$3,571,850	2017	2032	2.02-5.02	2,850,000	240,000
					<u>8,570,000</u>	<u>1,060,000</u>
Unamortized bond premium					<u>520,501</u>	<u>54,305</u>
Capital leases payable:						
Gym equipment	\$16,396	2017	2021	4.69	4,263	4,263
Telephone system	\$39,830	2018	2023	6.20	18,779	8,355
					<u>23,042</u>	<u>12,618</u>
Compensated absences payable					<u>344,696</u>	<u>24,660</u>
Accrued landfill postclosure care costs					<u>90,000</u>	<u>9,000</u>
Net pension liability					<u>6,321,114</u>	-
Other postemployment benefits payable					<u>1,568,776</u>	-
					<u>\$ 17,438,129</u>	<u>\$ 1,135,923</u>

The following is a summary of changes in the long-term liabilities for the year ended June 30, 2020:

	General Obligation Bonds Payable	Unamortized Bond Premium	Capital Leases Payable	Compensated Absences Payable	Accrued Landfill Postclosure Care Costs	Net Pension Liability	OPEB Liability	Total
Balance, beginning	\$ 9,635,000	\$ 574,805	\$ 34,854	\$ 313,962	\$ 90,000	\$ 6,227,647	\$ 1,245,879	\$ 18,122,147
Additions	-	-	-	30,734	-	93,467	322,897	447,098
Reductions	(1,065,000)	(54,304)	(11,812)	-	-	-	-	(1,131,116)
Balance, ending	<u>\$ 8,570,000</u>	<u>\$ 520,501</u>	<u>\$ 23,042</u>	<u>\$ 344,696</u>	<u>\$ 90,000</u>	<u>\$ 6,321,114</u>	<u>\$ 1,568,776</u>	<u>\$ 17,438,129</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
2021	\$ 1,060,000	\$ 304,104	\$ 1,364,104
2022	1,060,000	266,407	1,326,407
2023	1,060,000	224,215	1,284,215
2024	1,000,000	181,285	1,181,285
2025	1,000,000	140,962	1,140,962
2026-2030	2,920,000	236,685	3,156,685
2031-2032	470,000	18,893	488,893
Totals	<u>\$ 8,570,000</u>	<u>\$ 1,372,551</u>	<u>\$ 9,942,551</u>

TOWN OF BOW, NEW HAMPSHIRE
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The annual debt service requirements to maturity for the capital leases are as follow:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 12,618	\$ 1,258	\$ 13,876
2022	8,888	397	9,285
2023	1,536	12	1,548
Totals	<u>\$ 23,042</u>	<u>\$ 1,667</u>	<u>\$ 24,709</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, 2020:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Expendable trust	\$ 343,220
General	Nonmajor	2,720
Nonmajor	Expendable trust	43,826
Nonmajor	Nonmajor	8,465
		<u>\$ 398,231</u>

The amount due to the General Fund from the Expendable Trust Fund represents reimbursement for capital and health expenditures, and the amount due to the General Fund from the Nonmajor Fund represents police detail revenue in excess of expenditures. The amount due to the Nonmajor Funds from the Expendable Trust Fund represents reimbursement for capital expenditures, and the amount due to the Nonmajor Funds from other Nonmajor Funds represents income earned on trust funds in the Permanent Fund due to the Library Fund.

III.C.2. *Transfers*

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

TOWN OF BOW, NEW HAMPSHIRE
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The following shows the transfers within the reporting entity:

	Transfers In:			Total
	General Fund	Expendable Trust Fund	Nonmajor Funds	
Transfers out:				
General fund	\$ -	\$ 680,893	\$ 7,266	\$ 688,159
Expendable trust fund	411,311	-	75,135	486,446
Nonmajor funds	83,476	-	586	84,062
	\$ 494,787	\$ 680,893	\$ 82,987	\$ 1,258,667

The transfers from the General Fund represent voted appropriations. 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 \$69,338 from the Conservation Commission Fund to the General Fund toward the bond payment on the land purchase, \$14,138 from the Police Outside Detail Fund to the General Fund for excess revenue received, and \$586 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 \$309,275 for perpetual care and \$149,432 for other purposes representing public trust funds reported as restricted to reflect purpose restrictions contained in trust indentures, the Library Fund, and unexpended grant proceeds.

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, 2020

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	\$ -	\$ -	\$ 230,559
Prepaid items	62,527	-	-
Tax deeded property	26,160	-	-
Total nonspendable	<u>88,687</u>	<u>-</u>	<u>230,559</u>
Restricted:			
General government	-	-	105,969
Highways and streets	-	-	15,454
Culture and recreation	-	-	106,725
Total restricted	<u>-</u>	<u>-</u>	<u>228,148</u>
Committed:			
General government	-	-	58,623
Public safety	-	-	1,832
Highways and streets	149,194	-	-
Sanitation	-	-	1,331,461
Water distribution and treatment	-	-	12,643
Culture and recreation	-	-	158,034
Conservation	-	-	419,218
Capital outlay	-	4,277,492	443,663
Total committed	<u>149,194</u>	<u>4,277,492</u>	<u>2,425,474</u>
Assigned:			
General government	1,500	-	-
Public safety	13,004	-	-
Total assigned	<u>14,504</u>	<u>-</u>	<u>-</u>
Unassigned			
	897,020	-	-
Total fund balance	<u>\$ 1,149,405</u>	<u>\$ 4,277,492</u>	<u>\$ 2,884,181</u>

III.D.3. Restatement of Beginning Equity Balances

The beginning equity balances were restated as follow:

	Governmental Activities	General Fund
To correct accounts receivable	\$ (13,476)	\$ (13,476)
To record PSNH settlement	(10,000,000)	(4,250,000)
To correct capital asset balances	(1,280,150)	-
Net position/fund balance, as previously reported	43,006,099	3,522,873
Net position/fund balance, as restated	<u>\$ 31,712,473</u>	<u>\$ (740,603)</u>

TOWN OF BOW, NEW HAMPSHIRE
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AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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 2020 to be recorded as an insurance expenditure/expense totaled \$80,621 for property/liability and \$112,174 for workers' compensation. The member agreement permits Primex to make additional assessments to members should there be a deficiency in 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 2020, the rates of contribution from the Town were 28.43% for police, 30.89% for fire personnel, and 11.17% for other employees, which are actuarially determined to generate an amount, that when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions from the Town during the fiscal years 2018, 2019, and 2020 were \$607,762, \$636,838, and \$587,421 respectively.

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

At June 30, 2020, the Town reported a liability of \$6,321,114 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, rolled forward. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities and school districts, actuarially determined. As of June 30, 2019, the Town's proportion was 0.1313%, which was an increase of 0.0020% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$689,285. At June 30, 2020, 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
	<u> </u>	<u> </u>
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 138,114	\$ 50,714
Net differences between projected and actual earnings on pension plan investments	-	51,634
Changes in assumptions	226,799	-
Differences between expected and actual experience	34,950	135,922
Town contributions subsequent to the measurement date	587,422	-
	<u>\$ 987,285</u>	<u>\$ 238,270</u>

The Town reported \$587,422 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, 2021.

This note continues on the following page.

TOWN OF BOW, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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,	
2021	\$ 224,170
2022	(104,517)
2023	12,130
2024	29,810
	<u>\$ 161,593</u>

Actuarial Assumptions

The total pension liability in the June 30, 2019 valuation was determined using the valuation as of June 30, 2018 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, 2018 valuation were based on the results of the most recent actuarial experience study, which was for the period of July 1, 2010 to June 30, 2015. Mortality rates were based on the RP-2014 Healthy Annuitant and Employee Generational Mortality Tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of net pension liability	<u>\$8,464,232</u>	<u>\$6,321,114</u>	<u>\$4,549,844</u>

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
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IV.C. Contingent Liabilities

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

There are various suits which have been filed against the Town. One involves a challenge of the Town's (and many other towns') taxation of utility's use of public rights of way, poles and lines, which is expected to begin settlement discussions in 2021, and if not settled to proceed to trial which if the Town should lose could result in a liability over \$210,000. There is also a consolidated tax appeal that is in the early stages, that if the taxpayers prevail could result in a liability of approximately \$45,000. There is also a suit which arose in the normal course of business in which the plaintiff is seeking attorney's costs should they prevail, the amount of which is currently unknown. All of these suits are being vigorously defended by the Town so it is not possible to determine whether any of these will actually result in a liability to the Town. During the year, two cases involving the power plant tax assessments were settled, and the Town made payments in settlement, for which an additional \$213,000 was paid subsequent to year-end.

IV.D. Other Postemployment Benefits (OPEB)

Plan Description

The Town is part of two different OPEB plans, one that is a retiree health care benefits program operating as a single-employer plan that is used to provide OPEB for all permanent full-time employees (implicit rate subsidy): and the other that consists of benefits to its retired employees and their beneficiaries as required by NH RSA 100-A:50, *New Hampshire Retirement System: Medical Benefits*. The latter are provided through the New Hampshire Retirement System (NHRS) operating as a cost-sharing, multiple-employer OPEB medical subsidy healthcare plan (medical insurance subsidy). Further information on this plan can be found in the audited report of the NHRS Cost-Sharing Multiple-Employer Other Postemployment Benefit (OPEB) Plan, which is available on the NHRS website at www.nhrs.org.

Benefits Provided

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

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2020, there were eleven retirees with five spouses, and forty-five active employees with nineteen spouses participating in the plan.

The Town provides medical, dental and prescription drug coverage to retirees and their eligible spouses and dependents. All active employees who retire from the Town and meet the eligibility requirements can receive these benefits. Retirees contribute all of the premiums as determined by the Town, but the remainder of the costs as derived from the implicit subsidy are paid by the Town on a pay-as-you-go basis.

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

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

The Town's total OPEB liability of \$1,568,776, consists of \$943,130 for the implicit rate subsidy, measured as of June 30, 2020 and determined using the Alternative Measurement Method; and \$625,646 for the medical insurance subsidy, determined by an actuarial valuation as of June 30, 2018 with roll-forward procedures used to determine the liability as of June 30, 2019. For the year ended June 30, 2020, the Town recognized OPEB expense of \$370,072.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>Resources</u>	<u>Resources</u>
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 2,199	\$ -
Net differences between projected and actual earnings on pension plan investments	-	703
Differences between expected and actual experience	-	1,088
Town contributions subsequent to the measurement date	63,779	-
	<u>\$ 65,978</u>	<u>\$ 1,791</u>

TOWN OF BOW, NEW HAMPSHIRE
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The Town reported \$63,779 as deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date, which will be recognized as a reduction of the total OPEB liability in fiscal year 2021.

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

Year Ending June 30,	
2021	\$ 644
2022	(466)
2023	48
2024	182
	<u>\$ 408</u>

Actuarial Assumptions and Other Inputs

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

Implicit rate subsidy:	
Discount rate:	2.00%
Healthcare cost trend rates:	
Medical	4.90%, decreasing 0.0-0.1% per year to ultimate rate of 4.30% in FY27
Pharmacy	5.90%, decreasing 0.0-1.1% per year to ultimate rate of 4.30% in FY27
Dental	4.90%, decreasing in FY22 to ultimate rate of 3.00%
Vision	3.00%
Salary increases	2.00%
Medical insurance subsidy:	
Payroll growth	3.25%
Discount rate	7.25%
Inflation	2.5%
Investment rate of return	7.25%, net of investment expense, including inflation
Mortality	RP-2014 Healthy Annuitant and Employee Generational Mortality Tables with credibilty adjustments and adjusted for fully generational mortality improvements using Scale MP-2015 based on the last experience study
Healthcare cost trend rates	N/A, benefits are fixed stipends

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, 2020

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

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

Implicit Rate Subsidy:	1% Decrease (1.00%)	Current Discount Rate (2.00%)	1% Increase (3.00%)
Town's total OPEB liability	<u>\$1,117,583</u>	<u>\$943,130</u>	<u>\$790,799</u>
Medical Subsidy:	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Town's total OPEB liability	<u>\$678,608</u>	<u>\$625,646</u>	<u>\$579,625</u>

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

The following presents what the total OPEB liability for the implicit rate subsidy 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	Healthcare Cost Trend Rate	1% Increase
Town's total OPEB liability	<u>\$766,878</u>	<u>\$943,130</u>	<u>\$1,172,499</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
Town's proportion of net pension liability	0.1313%	0.1293%	0.1281%	0.1303%	0.1268%	0.1310%	0.1329%
Town's proportionate share of the net pension liability	\$6,321,114	\$6,227,647	\$6,302,166	\$6,926,213	\$5,012,730	\$4,918,796	\$5,719,047
Town's covered-employee payroll	\$3,243,913	\$3,152,042	\$3,062,615	\$2,785,559	\$2,776,708	\$2,705,900	\$2,638,463
Town's proportionate share of the net pension liability as a percentage of covered-employee payroll	194.86%	197.58%	205.78%	248.65%	180.53%	181.78%	216.76%
Plan fiduciary position as a percentage of the total pension liability	65.6%	64.7%	62.7%	58.3%	65.5%	66.3%	59.8%

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

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

	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
Contractually required contribution	\$ 587,421	\$ 572,193	\$ 607,762	\$ 523,683	\$ 497,074	\$ 459,361	\$ 425,133
Contribution in relation to the contractually required contribution	<u>(587,421)</u>	<u>(572,193)</u>	<u>(607,762)</u>	<u>(523,683)</u>	<u>(497,074)</u>	<u>(459,361)</u>	<u>(425,133)</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$3,243,913	\$3,152,042	\$3,062,615	\$2,785,559	\$2,776,708	\$2,705,900	\$2,638,463
Contributions as a percentage of covered-employee payroll	18.11%	18.15%	19.84%	18.80%	17.90%	16.98%	16.11%

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

EXHIBIT 11
TOWN OF BOW
Schedule of Changes in the Town's Total OPEB Liability and Related Ratios

	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018
Total OPEB liability:			
Service cost	\$ 39,517	\$ 28,086	\$ 20,247
Interest	63,343	18,610	30,106
Effect of economic/demographic gains or losses	612,752	365,011	(6,124)
Changes of assumptions and differences between expected and actual experience	257,082	363,953	817,166
Benefit payments	(649,797)	(587,240)	(705,635)
Net change in total OPEB liability	322,897	188,420	155,760
Total OPEB liability, beginning	1,245,879	1,057,459	901,699
Total OPEB liability, ending	<u>\$ 1,568,776</u>	<u>\$ 1,245,879</u>	<u>\$ 1,057,459</u>
 Covered-employee payroll	 \$3,243,913	 \$3,152,042	 \$3,062,615
 Total OPEB liability as a percentage of covered-employee payroll	 48.36%	 39.53%	 34.53%

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

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

	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018
Actuarially determined contribution	\$ 645,365	\$ 652,514	\$ 747,371
Contributions in relation to the actuarially determined contribution	(63,779)	(65,274)	(61,124)
Contribution deficiency	<u>\$ 581,586</u>	<u>\$ 587,240</u>	<u>\$ 686,247</u>
Covered-employee payroll	\$3,243,913	\$3,152,042	\$3,062,615
Contributions as a percentage of covered-employee payroll	19.89%	20.70%	24.40%

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

TOWN OF BOW, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

COMBINING AND INDIVIDUAL FUND SCHEDULES

EXHIBIT 13
TOWN OF BOW, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2020

	Special Revenue Funds													Capital Projects Fund	Permanent Fund	Total	
	Library	Recreation	Recreation Fields	Heritage	Conservation	Water	Sewer	300th Anniversary	Welfare Holiday Baskets	Police Detail	Celebrating Children	Drug Forfeiture	TIF Districts	Grants			Roads and Bridges
ASSETS																	
Cash and cash equivalents	\$ 121,251	\$ 122,704	\$ 17,324	\$ 16,680	\$ 402,063	\$ 4,933	\$ 1,273,715	\$ 1,890	\$ 52,679	\$ -	\$ 8,204	\$ 1,832	\$ 505,671	\$ 15,454	\$ 99,676	\$ 30,841	\$ 2,674,917
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	314,152	314,152
Receivables, net of allowance for uncollectibles:																	
Taxes	-	-	-	-	17,418	-	-	-	-	-	-	-	-	-	-	-	17,418
Accounts	-	-	-	-	-	14,399	62,958	-	-	2,720	-	-	-	-	-	-	80,077
Interfund receivable	8,465	-	-	-	-	-	-	-	-	-	-	-	-	-	43,826	-	52,291
Total assets	\$ 129,716	\$ 122,704	\$ 17,324	\$ 16,680	\$ 419,481	\$ 19,332	\$ 1,336,673	\$ 1,890	\$ 52,679	\$ 2,720	\$ 8,204	\$ 1,832	\$ 505,671	\$ 15,454	\$ 143,502	\$ 344,993	\$ 3,138,855
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES																	
Liabilities:																	
Accounts payable	\$ 22,991	\$ 363	\$ 201	\$ -	\$ 263	\$ 6,689	\$ 391	\$ -	\$ -	\$ -	\$ 220	\$ -	\$ -	\$ -	\$ 28,726	\$ -	\$ 59,844
Interfund payable	-	-	-	-	-	-	-	-	-	2,720	-	-	-	-	-	8,465	11,185
Total liabilities	22,991	363	201	-	263	6,689	391	-	-	2,720	220	-	-	-	28,726	8,465	71,029
Deferred inflows of resources:																	
Deferred revenue	-	-	-	-	-	-	4,821	-	-	-	2,040	-	176,784	-	-	-	183,645
Fund balances:																	
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	230,559	230,559
Restricted	106,725	-	-	-	-	-	-	-	-	-	-	-	-	15,454	-	105,969	228,148
Committed	-	122,341	17,123	16,680	419,218	12,643	1,331,461	1,890	52,679	-	5,944	1,832	328,887	-	114,776	-	2,425,474
Total fund balances	106,725	122,341	17,123	16,680	419,218	12,643	1,331,461	1,890	52,679	-	5,944	1,832	328,887	15,454	114,776	336,528	2,884,181
Total liabilities, deferred inflows of resources, and fund balances	\$ 129,716	\$ 122,704	\$ 17,324	\$ 16,680	\$ 419,481	\$ 19,332	\$ 1,336,673	\$ 1,890	\$ 52,679	\$ 2,720	\$ 8,204	\$ 1,832	\$ 505,671	\$ 15,454	\$ 143,502	\$ 344,993	\$ 3,138,855

EXHIBIT 14
TOWN OF BOW, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2020

	Special Revenue Funds													Capital Projects Fund	Permanent Fund	Total	
	Library	Recreation	Recreation Fields	Heritage	Conservation	Water	Sewer	300th Anniversary	Welfare Holiday Baskets	Police Detail	Celebrating Children	Drug Forfeiture	TIF Districts	Grants			Roads and Bridges
REVENUES																	
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 95,010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 334,005	\$ -	\$ -	\$ -	\$ 429,015
Intergovernmental	-	-	-	-	5,349	-	-	-	-	-	-	-	-	2,686	-	-	8,035
Charges for services	17,665	127,144	500	-	-	85,474	244,187	-	107,270	60,409	-	-	-	-	-	-	642,649
Miscellaneous	3,158	1,607	1,400	1,858	5,779	687	44,750	26	20,660	166	30	1,188	1,224	-	-	19,757	102,290
Total revenues	<u>20,823</u>	<u>128,751</u>	<u>1,900</u>	<u>1,858</u>	<u>106,138</u>	<u>86,161</u>	<u>288,937</u>	<u>26</u>	<u>20,660</u>	<u>107,270</u>	<u>60,575</u>	<u>30</u>	<u>335,193</u>	<u>3,910</u>	<u>-</u>	<u>19,757</u>	<u>1,181,989</u>
EXPENDITURES																	
Current:																	
General government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,884	\$ 2,884
Public safety	-	-	-	-	-	-	-	-	93,132	-	-	-	-	-	-	-	93,132
Highways and streets	-	-	-	-	-	-	-	-	-	-	-	-	-	160,738	-	-	160,738
Sanitation	-	-	-	-	-	-	125,493	-	-	-	-	-	-	-	-	-	125,493
Water distribution and treatment	-	-	-	-	-	84,953	-	-	-	-	-	-	-	-	-	-	84,953
Health	-	-	-	-	-	-	-	-	-	-	-	-	-	364	-	-	364
Welfare	-	-	-	-	-	-	-	-	3,944	-	-	-	-	-	-	-	3,944
Culture and recreation	23,683	126,181	-	100	-	-	-	-	-	65,182	-	-	-	-	-	-	215,146
Conservation	-	-	-	-	34,003	-	-	-	-	-	-	-	-	-	-	-	34,003
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-	12,110	-	75,135	-	87,245
Total expenditures	<u>23,683</u>	<u>126,181</u>	<u>-</u>	<u>100</u>	<u>34,003</u>	<u>84,953</u>	<u>125,493</u>	<u>-</u>	<u>3,944</u>	<u>93,132</u>	<u>65,182</u>	<u>-</u>	<u>12,110</u>	<u>161,102</u>	<u>75,135</u>	<u>2,884</u>	<u>807,902</u>
Excess (deficiency) of revenues over (under) expenditures	(2,860)	2,570	1,900	1,758	72,135	1,208	163,444	26	16,716	14,138	(4,607)	30	323,083	(157,192)	(75,135)	16,873	374,087
Other financing sources (uses):																	
Transfers in	7,852	-	-	-	-	-	-	-	-	-	-	-	-	-	75,135	-	82,987
Transfers out	-	-	-	-	(69,338)	-	-	-	-	(14,138)	-	-	-	-	-	(586)	(84,062)
Total other financing sources and uses	<u>7,852</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(69,338)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,138)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,135</u>	<u>(586)</u>	<u>(1,075)</u>
Net change in fund balances	4,992	2,570	1,900	1,758	2,797	1,208	163,444	26	16,716	-	(4,607)	30	323,083	(157,192)	-	16,287	373,012
Fund balances, beginning	101,733	119,771	15,223	14,922	416,421	11,435	1,168,017	1,864	35,963	-	10,551	1,802	5,804	172,646	114,776	320,241	2,511,169
Fund balances, ending	<u>\$ 106,725</u>	<u>\$ 122,341</u>	<u>\$ 17,123</u>	<u>\$ 16,680</u>	<u>\$ 419,218</u>	<u>\$ 12,643</u>	<u>\$ 1,331,461</u>	<u>\$ 1,890</u>	<u>\$ 52,679</u>	<u>\$ -</u>	<u>\$ 5,944</u>	<u>\$ 1,832</u>	<u>\$ 328,887</u>	<u>\$ 15,454</u>	<u>\$ 114,776</u>	<u>\$ 336,528</u>	<u>\$ 2,884,181</u>

EXHIBIT 15
TOWN OF BOW, NEW HAMPSHIRE
General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Year Ended June 30, 2020

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 7,547,852	\$ 8,410,411	\$ 862,559
Timber	7,000	7,413	413
Excavation	8,000	2,795	(5,205)
Interest and penalties on delinquent taxes	95,000	63,228	(31,772)
Total taxes	<u>7,657,852</u>	<u>8,483,847</u>	<u>825,995</u>
Licenses, permits and fees:			
Business licenses and permits	39,000	2,920	(36,080)
Motor vehicle permits	2,325,000	2,332,913	7,913
Building permits	70,000	68,103	(1,897)
Other	16,750	24,236	7,486
Total licenses, permits and fees	<u>2,450,750</u>	<u>2,428,172</u>	<u>(22,578)</u>
Intergovernmental:			
State sources:			
Municipal aid	63,778	63,778	-
Meals and rooms distributions	400,213	400,213	-
Highway block grant	231,759	231,734	(25)
State and federal forest land	85	88	3
Railroad tax	1,437	1,437	-
COVID-19 grants	-	97,863	97,863
Federal sources:			
HHS provider relief grant	-	7,137	7,137
Total intergovernmental	<u>697,272</u>	<u>802,250</u>	<u>104,978</u>
Charges for services:			
Income from departments	<u>456,663</u>	<u>500,798</u>	<u>44,135</u>
Miscellaneous:			
Sale of property	15,000	27,000	12,000
Interest on investments	105,000	135,651	30,651
Other	30,000	17,862	(12,138)
Total miscellaneous	<u>150,000</u>	<u>180,513</u>	<u>30,513</u>
Other financing sources:			
Transfers in:			
Expendable trust fund	930,892	411,311	(519,581)
Nonmajor funds	65,000	83,476	18,476
Total other financing sources	<u>995,892</u>	<u>494,787</u>	<u>(501,105)</u>
Total revenues and other financing sources	12,408,429	<u>\$ 12,890,367</u>	<u>\$ 481,938</u>
Use of fund balance to reduce taxes	1,000,000		
Total revenues, other financing sources and use of fund balance	<u>\$ 13,408,429</u>		

EXHIBIT 16
TOWN OF BOW, NEW HAMPSHIRE
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended June 30, 2020

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 274,258	\$ 279,906	\$ -	\$ (5,648)
Election and registration	-	232,517	223,819	-	8,698
Financial administration	-	304,440	294,412	-	10,028
Revaluation of property	-	246,290	181,810	-	64,480
Legal	-	1,900,000	81,200	-	1,818,800
Personnel administration	-	7,600	7,096	-	504
Planning and zoning	-	408,543	414,555	-	(6,012)
General government buildings	3,383	348,876	361,851	1,500	(11,092)
Cemeteries	-	20,200	27,301	-	(7,101)
Insurance, not otherwise allocated	-	80,621	80,621	-	-
Total general government	<u>3,383</u>	<u>3,823,345</u>	<u>1,952,571</u>	<u>1,500</u>	<u>1,872,657</u>
Public safety:					
Police	-	1,691,761	1,700,841	-	(9,080)
Fire	6,000	1,240,192	1,255,093	13,004	(21,905)
Emergency management	395	27,988	51,900	-	(23,517)
Total public safety	<u>6,395</u>	<u>2,959,941</u>	<u>3,007,834</u>	<u>13,004</u>	<u>(54,502)</u>
Highways and streets:					
Administration	-	1,235,651	1,172,030	-	63,621
Highways and streets	3,895	448,250	363,679	-	88,466
Street lighting	-	37,000	42,142	-	(5,142)
Total highways and streets	<u>3,895</u>	<u>1,720,901</u>	<u>1,577,851</u>	<u>-</u>	<u>146,945</u>
Sanitation:					
Solid waste disposal	-	786,173	793,699	-	(7,526)
Health:					
Administration	-	2,534	1,197	-	1,337
Health agencies	-	3,400	2,900	-	500
Total health	<u>-</u>	<u>5,934</u>	<u>4,097</u>	<u>-</u>	<u>1,837</u>
Welfare:					
Administration	-	3,492	5,436	-	(1,944)
Direct assistance	-	3,000	1,482	-	1,518
Total welfare	<u>-</u>	<u>6,492</u>	<u>6,918</u>	<u>-</u>	<u>(426)</u>
Culture and recreation:					
Parks and recreation	-	141,356	74,116	-	67,240
Public library	-	512,209	509,557	-	2,652
Patriotic purposes	-	500	-	-	500
Other	330	1,750	1,129	-	951
Total culture and recreation	<u>330</u>	<u>655,815</u>	<u>584,802</u>	<u>-</u>	<u>71,343</u>

(continued)

EXHIBIT 16 (continued)
TOWN OF BOW, NEW HAMPSHIRE
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended June 30, 2020

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal	-	1,065,000	1,065,000	-	-
Interest on long-term debt	-	352,776	340,589	-	12,187
Interest on tax anticipation note	-	1	-	-	1
Total debt service	<u>-</u>	<u>1,417,777</u>	<u>1,405,589</u>	<u>-</u>	<u>12,188</u>
Capital outlay:					
Machinery, vehicles and equipment	21,252	799,392	431,619	-	389,025
Buildings	-	90,000	328	-	89,672
Improvements other than buildings	205,905	454,500	495,142	149,194	16,069
Total capital outlay	<u>227,157</u>	<u>1,343,892</u>	<u>927,089</u>	<u>149,194</u>	<u>494,766</u>
Other financing uses:					
Transfers out:					
Expendable trust fund	-	680,893	680,893	-	-
Nonmajor funds	-	7,266	7,266	-	-
Total other financing uses	<u>-</u>	<u>688,159</u>	<u>688,159</u>	<u>-</u>	<u>-</u>
Total encumbrances, appropriations, expenditures and other financing uses	<u>\$ 241,160</u>	<u>\$ 13,408,429</u>	<u>\$ 10,948,609</u>	<u>\$ 163,698</u>	<u>\$ 2,537,282</u>

EXHIBIT 17
TOWN OF BOW, NEW HAMPSHIRE
General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Year Ended June 30, 2020

Unassigned fund balance, beginning, as restated		\$ (526,627)
Changes:		
Unassigned fund balance used to reduce tax rate		(1,000,000)
Budget summary:		
Revenue surplus (Exhibit 15)	\$ 481,938	
Unexpended balance of appropriations (Exhibit 16)	<u>2,537,282</u>	
Budget surplus		3,019,220
Increase in nonspendable fund balance		<u>(4,800)</u>
Unassigned fund balance, ending		<u><u>\$ 1,487,793</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, 2020, 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 material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

We continue to 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

Town of Bow
Letter to Management

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

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

February 11, 2021

Roberts & Greene, PLLC