

**TOWN OF WINDHAM,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022**

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PLODZIK & SANDERSON

Professional Association/Certified Public Accountants

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX 603-224-1380

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Selectmen
Town of Windham
Windham, New Hampshire

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, major fund, and aggregate remaining fund information of the Town of Windham as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major fund, and aggregate remaining fund information of the Town of Windham, as of December 31, 2022, and the respective changes in financial position, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Windham and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The Town of Windham's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Windham's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Windham's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Windham's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Change in Accounting Principle

As discussed in Note 2-C to the financial statements, in fiscal year 2022 the Town adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Required Supplementary Information – Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements:

- Schedule of the Town's Proportionate Share of Net Pension Liability,
- Schedule of Town Contributions – Pensions,
- Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefits Liability,
- Schedule of Town Contributions – Other Postemployment Benefits,
- Schedule of Changes in the Town's Total Other Postemployment Benefits Liability and Related Ratios, and
- Notes to the Required Supplementary Information

Such information is the responsibility of management and, 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 for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

Management has omitted a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Supplementary Information – Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Windham's basic financial statements. The accompanying combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund schedules 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. Such 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 basic financial statements or to the basic 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.

April 29, 2024
Concord, New Hampshire

Blodzik & Sanderson
Professional Association

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF WINDHAM, NEW HAMPSHIRE
Statement of Net Position
December 31, 2022

| | Governmental Activities |
|--|----------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 28,633,802 |
| Investments | 300,638 |
| Taxes receivables (net) | 2,326,582 |
| Account receivables (net) | 352,291 |
| Capital assets: | |
| Land and construction in progress | 16,620,856 |
| Other capital assets, net of depreciation | 18,134,131 |
| Total assets | <u>66,368,300</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Amounts related to pensions | 2,933,635 |
| Amounts related to other postemployment benefits | 95,855 |
| Total deferred outflows of resources | <u>3,029,490</u> |
| LIABILITIES | |
| Accounts payable | 227,489 |
| Accrued salaries and benefits | 74,637 |
| Accrued interest payable | 50,210 |
| Intergovernmental payable | 24,562,507 |
| Long-term liabilities: | |
| Due within one year | 488,837 |
| Due in more than one year | 23,618,481 |
| Total liabilities | <u>49,022,161</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Unavailable revenue - property taxes | 22,909 |
| Unavailable revenue - grants | 1,575,841 |
| Amounts related to pensions | 386,838 |
| Amounts related to other postemployment benefits | 271,205 |
| Total deferred inflows of resources | <u>2,256,793</u> |
| NET POSITION | |
| Net investment in capital assets | 31,335,213 |
| Restricted | 821,286 |
| Unrestricted | (14,037,663) |
| Total net position | <u>\$ 18,118,836</u> |

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT B
TOWN OF WINDHAM, NEW HAMPSHIRE
Statement of Activities
For the Fiscal Year Ended December 31, 2022

| | Expenses | Program Revenues | | | Net (Expense) Revenue and Change In Net Position |
|--|----------------------|----------------------------|--|--|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| General government | \$ 3,723,613 | \$ 291,693 | \$ - | \$ - | \$ (3,431,920) |
| Public safety | 8,639,293 | 830,276 | 177,704 | 286,139 | (7,345,174) |
| Highways and streets | 3,404,470 | - | 631,926 | - | (2,772,544) |
| Sanitation | 1,327,595 | 67,440 | - | - | (1,260,155) |
| Water distribution and treatment | - | 49,529 | - | - | 49,529 |
| Health | 37,296 | - | - | - | (37,296) |
| Welfare | 48,222 | - | - | - | (48,222) |
| Culture and recreation | 1,943,014 | 76,040 | - | - | (1,866,974) |
| Conservation | 49,255 | - | - | - | (49,255) |
| Interest on long-term debt | 100,207 | - | - | - | (100,207) |
| Total governmental activities | <u>\$ 19,272,965</u> | <u>\$ 1,314,978</u> | <u>\$ 809,630</u> | <u>\$ 286,139</u> | <u>(16,862,218)</u> |
| General revenues: | | | | | |
| Taxes: | | | | | |
| Property | | | | | 9,721,351 |
| Other | | | | | 204,113 |
| Motor vehicle permit fees | | | | | 4,229,744 |
| Licenses and other fees | | | | | 232,385 |
| Grants and contributions not restricted to specific programs | | | | | 1,508,157 |
| Unrestricted investment earnings | | | | | 24,701 |
| Miscellaneous | | | | | 333,343 |
| Total general revenues | | | | | <u>16,253,794</u> |
| Change in net position | | | | | (608,424) |
| Net position, beginning, as restated (see Note 19) | | | | | 18,727,260 |
| Net position, ending | | | | | <u>\$ 18,118,836</u> |

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT C-1
TOWN OF WINDHAM, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
December 31, 2022

| | General | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|--------------------------------|--------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 24,950,160 | \$ 3,683,642 | \$ 28,633,802 |
| Investments | - | 300,638 | 300,638 |
| Taxes receivable | 2,451,582 | - | 2,451,582 |
| Accounts receivable (net) | 352,291 | - | 352,291 |
| Interfund receivable | - | 162,779 | 162,779 |
| Total assets | <u>\$ 27,754,033</u> | <u>\$ 4,147,059</u> | <u>\$ 31,901,092</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 227,489 | \$ - | \$ 227,489 |
| Accrued salaries and benefits | 74,637 | - | 74,637 |
| Intergovernmental payable | 24,562,507 | - | 24,562,507 |
| Interfund payable | 148,394 | 14,385 | 162,779 |
| Total liabilities | <u>25,013,027</u> | <u>14,385</u> | <u>25,027,412</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue - property taxes | 170,932 | - | 170,932 |
| Unavailable revenue - highway block grant | 352,114 | - | 352,114 |
| Unavailable revenue - grants | - | 1,223,727 | 1,223,727 |
| Total deferred inflows of resources | <u>523,046</u> | <u>1,223,727</u> | <u>1,746,773</u> |
| FUND BALANCES | | | |
| Nonspendable | - | 453,501 | 453,501 |
| Restricted | 90,977 | 276,808 | 367,785 |
| Committed | 840,849 | 1,868,806 | 2,709,655 |
| Assigned | 128,107 | 309,832 | 437,939 |
| Unassigned | 1,158,027 | - | 1,158,027 |
| Total fund balances | <u>2,217,960</u> | <u>2,908,947</u> | <u>5,126,907</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 27,754,033</u> | <u>\$ 4,147,059</u> | <u>\$ 31,901,092</u> |

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT C-2
TOWN OF WINDHAM, NEW HAMPSHIRE
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
December 31, 2022

Amounts reported for governmental activities in the Statement of Net Position are different because:

| | | |
|---|---------------------|----------------------|
| Total fund balances of governmental funds (Exhibit C-1) | | \$ 5,126,907 |
| Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds. | | |
| Cost | \$ 86,229,355 | |
| Less accumulated depreciation | <u>(51,474,368)</u> | |
| | | 34,754,987 |
| Pension and other postemployment benefit (OPEB) related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported in the governmental funds as follows: | | |
| Deferred outflows of resources related to pensions | \$ 2,933,635 | |
| Deferred inflows of resources related to pensions | (386,838) | |
| Deferred outflows of resources related to OPEB | 95,855 | |
| Deferred inflows of resources related to OPEB | <u>(271,205)</u> | |
| | | 2,371,447 |
| Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position. | | |
| Receivables | \$ (162,779) | |
| Payables | <u>162,779</u> | |
| | | - |
| Property taxes are recognized on an accrual basis in the Statement of Net Position and on a modified accrual basis in the governmental funds. | | |
| Deferred inflows of resources - property taxes | \$ 148,023 | |
| Allowance for uncollectible property taxes | <u>(125,000)</u> | |
| | | 23,023 |
| Interest on long-term debt is not accrued in governmental funds. | | |
| Accrued interest payable | | (50,210) |
| Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds. | | |
| Bonds | \$ 2,455,000 | |
| Notes | 610,784 | |
| Unamortized bond premium | 362,815 | |
| Compensated absences | 1,488,450 | |
| Net pension liability | 17,100,459 | |
| Other postemployment benefits | <u>2,089,810</u> | |
| | | (24,107,318) |
| Net position of governmental activities (Exhibit A) | | <u>\$ 18,118,836</u> |

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT C-3
TOWN OF WINDHAM, NEW HAMPSHIRE
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2022

| | General | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|--------------------------------|--------------------------------|
| REVENUES | | | |
| Taxes | \$ 9,894,872 | \$ 71,942 | \$ 9,966,814 |
| Licenses and permits | 4,462,129 | - | 4,462,129 |
| Intergovernmental | 2,321,185 | 286,139 | 2,607,324 |
| Charges for services | 1,045,069 | 269,909 | 1,314,978 |
| Miscellaneous | 251,913 | 102,733 | 354,646 |
| Total revenues | <u>17,975,168</u> | <u>730,723</u> | <u>18,705,891</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 3,858,690 | 23,143 | 3,881,833 |
| Public safety | 8,516,714 | 499,420 | 9,016,134 |
| Highways and streets | 1,208,774 | - | 1,208,774 |
| Sanitation | 1,335,449 | - | 1,335,449 |
| Health | 37,296 | - | 37,296 |
| Welfare | 48,222 | - | 48,222 |
| Culture and recreation | 1,799,401 | 68,026 | 1,867,427 |
| Conservation | 3,272 | 59,429 | 62,701 |
| Debt service: | | | |
| Principal | 390,339 | - | 390,339 |
| Interest | 143,225 | - | 143,225 |
| Capital outlay | 664,404 | - | 664,404 |
| Total expenditures | <u>18,005,786</u> | <u>650,018</u> | <u>18,655,804</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(30,618)</u> | <u>80,705</u> | <u>50,087</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 268,425 | - | 268,425 |
| Transfers out | - | (268,425) | (268,425) |
| Note proceeds | 53,000 | - | 53,000 |
| Total other financing sources (uses) | <u>321,425</u> | <u>(268,425)</u> | <u>53,000</u> |
| Net change in fund balances | 290,807 | (187,720) | 103,087 |
| Fund balances, beginning, as restated (see Note 19) | 1,927,153 | 3,096,667 | 5,023,820 |
| Fund balances, ending | <u>\$ 2,217,960</u> | <u>\$ 2,908,947</u> | <u>\$ 5,126,907</u> |

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT C-4
TOWN OF WINDHAM, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2022

| | | |
|---|--------------------|----------------------------|
| Net change in fund balances of governmental funds (Exhibit C-3) | | \$ 103,087 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. | | |
| Depreciation expenses exceeded capital outlay expenditures in the current year as follows: | | |
| Capitalized capital outlay | \$ 444,369 | |
| Depreciation expense | <u>(1,958,828)</u> | (1,514,459) |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position. | | (4,611) |
| Transfers in and out between governmental funds are eliminated on the Statement of Activities. | | |
| Transfers in | \$ (268,425) | |
| Transfers out | <u>268,425</u> | - |
| Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds. | | |
| Change in deferred tax revenue and allowance for uncollectible property taxes | | (41,350) |
| Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. | | |
| Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. | | |
| Note proceeds | \$ (53,000) | |
| Repayment of bond principal | 241,125 | |
| Repayment of note principal | 305,786 | |
| Amortization of bond premium | <u>36,426</u> | 530,337 |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds. | | |
| Decrease in accrued interest expense | \$ 6,592 | |
| Decrease in compensated absences payable | 92,412 | |
| Net change in net pension liability, and deferred outflows and inflows of resources related to pensions | 105,602 | |
| Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits | <u>113,966</u> | 318,572 |
| Changes in net position of governmental activities (Exhibit B) | | <u><u>\$ (608,424)</u></u> |

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT D
TOWN OF WINDHAM, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2022

| | Budgeted Amounts | | Actual | Variance Positive (Negative) |
|---|------------------|---------------|--------------|------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 10,105,392 | \$ 10,105,392 | \$ 9,853,522 | \$ (251,870) |
| Licenses and permits | 4,397,000 | 4,397,000 | 4,462,129 | 65,129 |
| Intergovernmental | 1,774,629 | 1,774,629 | 2,321,185 | 546,556 |
| Charges for services | 929,375 | 929,375 | 1,045,069 | 115,694 |
| Miscellaneous | 224,079 | 224,079 | 162,139 | (61,940) |
| Total revenues | 17,430,475 | 17,430,475 | 17,844,044 | 413,569 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 3,515,005 | 3,515,005 | 3,710,502 | (195,497) |
| Public safety | 8,680,430 | 8,680,430 | 8,460,367 | 220,063 |
| Highways and streets | 1,223,330 | 1,223,330 | 1,204,274 | 19,056 |
| Sanitation | 1,391,010 | 1,391,010 | 1,345,449 | 45,561 |
| Health | 52,925 | 52,925 | 37,296 | 15,629 |
| Welfare | 45,540 | 45,540 | 48,222 | (2,682) |
| Culture and recreation | 1,816,325 | 1,816,325 | 1,764,833 | 51,492 |
| Conservation | 14,660 | 14,660 | 10,772 | 3,888 |
| Debt service: | | | | |
| Principal | 390,340 | 390,340 | 390,339 | 1 |
| Interest | 139,173 | 139,173 | 143,225 | (4,052) |
| Capital outlay | 6,993,079 | 793,079 | 740,731 | 52,348 |
| Total expenditures | 24,261,817 | 18,061,817 | 17,856,010 | 205,807 |
| Excess (deficiency) of revenues over (under) expenditures | (6,831,342) | (631,342) | (11,966) | 619,376 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 193,200 | 193,200 | 268,425 | 75,225 |
| Transfers out | (75,000) | (75,000) | (75,000) | - |
| Bond and premium proceeds | 6,200,000 | - | - | - |
| Total other financing sources (uses) | 6,318,200 | 118,200 | 193,425 | 75,225 |
| Net change in fund balances | \$ (513,142) | \$ (513,142) | 181,459 | \$ 694,601 |
| Increase in restricted fund balance | | | (1,364) | |
| Decrease in abatement contingency | | | 145,000 | |
| Unassigned fund balance, beginning, as restated (see Note 19) | | | 855,955 | |
| Unassigned fund balance, ending | | | \$ 1,181,050 | |

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT E-1
TOWN OF WINDHAM, NEW HAMPSHIRE
Fiduciary Funds
Statement of Fiduciary Net Position
December 31, 2022

| | Private Purpose Trust Funds | All Custodial Funds |
|------------------------------|-----------------------------------|---------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 9,094 | \$ 1,992,078 |
| Investments | 21,402 | - |
| Intergovernmental receivable | - | 24,095,076 |
| Total assets | <u>30,496</u> | <u>26,087,154</u> |
| LIABILITIES | | |
| Intergovernmental payables: | | |
| School | <u>-</u> | <u>24,095,076</u> |
| NET POSITION | | |
| Restricted | <u>\$ 30,496</u> | <u>\$ 1,992,078</u> |

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT E-2
TOWN OF WINDHAM, NEW HAMPSHIRE
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended December 31, 2022

| | Private Purpose Trust Funds | All Custodial Funds |
|--|-----------------------------------|---------------------------|
| ADDITIONS | | |
| Contributions | \$ - | \$ 747,969 |
| Investment earnings | 60 | 6,990 |
| Change in fair market value | (4,902) | - |
| Tax collections for other governments | - | 51,415,660 |
| Motor vehicle permit fees | - | 1,158,817 |
| Total additions | <u>(4,842)</u> | <u>53,329,436</u> |
| DEDUCTIONS | | |
| Payments of taxes to other governments | - | 51,415,660 |
| Payments to other governments | - | 1,369,164 |
| Payments for escrow purposes | - | 118,667 |
| Total deductions | <u>-</u> | <u>52,903,491</u> |
| Change in net position | (4,842) | 425,945 |
| Net position, beginning | 35,338 | 1,566,133 |
| Net position, ending | <u>\$ 30,496</u> | <u>\$ 1,992,078</u> |

The Notes to the Basic Financial Statements are an integral part of this statement.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Windham, New Hampshire (the Town), have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The more significant of the Town's accounting policies are described below.

1-A Reporting Entity

The Town of Windham is a municipal corporation governed by an elected 5-member Board of Selectmen. In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The Town has no component units to include in its reporting entity.

1-B Basis of Accounting and Measurement Focus

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements – The Town's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental activities for the Town accompanied by a total column. Fiduciary activities of the Town are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the Town are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated.

Governmental Fund Financial Statements – Include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying statement is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The Town has presented all major funds that met those qualifications.

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of reimbursement based grants, which use a period of one year. Property taxes, licenses and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

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Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Town reports the following major governmental fund:

General Fund – is the Town’s primary operating fund. The general fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources include property taxes, State grants and motor vehicle permit fees. The primary expenditures are for general government, public safety, highways and streets, sanitation, culture and recreation, debt service and capital outlay. Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, guidance the library, law enforcement, exaction fees, Searles donation, and expendable trust funds are consolidated in the general fund.

Additionally, the Town reports the following fund types:

Special Revenue Funds – are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Projects Funds – are used to account for the financial resources and activities relating to specific construction projects.

Permanent Fund – is used to record activity of legal trusts for which the interest on the corpus provides funds for the Town’s cemetery operations.

All the governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements. The Town reports twelve nonmajor governmental funds.

Fiduciary Fund Financial Statements – Include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The Town’s fiduciary funds are private purpose trust and custodial funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. These funds are accounted for on a spending or “economic resources” measurement focus and the accrual basis of accounting.

The Town reports the following fiduciary funds:

Private Purpose Trust Funds – are used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments.

Custodial Fund – are custodial in nature and do not involve the measurement of operating results. A custodial fund is used to account for assets held on behalf of outside parties, including other governments.

1-C Cash and Cash Equivalents

The Town considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits and savings accounts.

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383:22. Funds may be deposited in banks outside of the state if such banks pledge and 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 to the State of New Hampshire in value at least equal to the amount of the deposit in each case.

1-D Investments

State statutes place certain limitations on the nature of deposits and investments available as follows:

New Hampshire law authorizes the Town to invest in the following type of obligations:

- Obligations of the United States government,
- The public deposit investment pool established pursuant to RSA 383:22,
- Savings bank deposits,
- 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 WINDHAM, NEW HAMPSHIRE
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Any person who directly or indirectly receives any such funds or moneys 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.

Fair Value Measurements of Investments – In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, except for investments measured using net asset value (NAV) as a practical expedient to estimate fair value, the Town categorizes the fair value measurements of its investments within the fair value hierarchy established by US GAAP. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

Level 1 – Inputs reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the Town has the ability to access at the measurement date.

Level 2 – Inputs are other than quoted prices that are observable for the assets or liabilities, either directly or indirectly, including inputs in markets that are not considered to be active. Because they most often are priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency.

Level 3 – Inputs are significant unobservable inputs, using assumptions in determining the fair value of investments.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, is the level in the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. Investments are reported at fair value. If an investment is held directly by the Town and an active market with quoted prices exists, such as for domestic equity securities, the market price of an identical security is used to report fair value and is classified in Level 1. Corporate fixed income securities and certain governmental securities utilize pricing that may involve estimation using similar securities or trade dates and are classified in Level 2. Fair values for shares in registered mutual funds and exchange-traded funds are based on published share prices and classified in Level 1.

In determining fair value, the Town utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

1-E Receivables

Receivables recorded in the financial statements represent amounts due to the Town at December 31. They are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. They consist primarily of taxes, billing for charges, and other user fees.

1-F Capital Assets

Capital assets are reported in the government-wide financial statements. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation, if received on or before June 15, 2015. Donated capital assets received after June 15, 2015 are recorded at acquisition value. The Town has established a threshold of \$5,000 or more and an estimate useful life in excess of one year for capitalization of depreciable assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

| | <u>Years</u> |
|-------------------------------------|--------------|
| Capital Asset Classes: | |
| Land improvements | 12 - 15 |
| Buildings and building improvements | 15 - 40 |
| Vehicles and equipment | 5 - 20 |
| Infrastructure | 20 - 50 |

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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1-G Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

Interfund Transfers – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

1-H Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year. Warrants for the year were issued on May 25, 2022 and November 28, 2022, and due on July 1, 2022 and December 29, 2022. For any regular property taxes issued, the interest accrues at a rate of 8% on bills outstanding after the due date and 14% on tax liens outstanding. The Town placed a lien on all outstanding taxes from 2021 on April 28, 2022.

In connection with the setting of the tax rate, Town officials with the approval of the Department of Revenue Administration, establish and raise through taxation an amount for tax abatement and refunds, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any reserve for uncollectable at year-end. The property taxes collected by the Town include taxes levied for the State of New Hampshire, Windham School District, Breezy Gale Village District, Cobbetts Pond Village District, Moeckel Pond Village District, and Rockingham County, which are remitted to these entities as required by law.

The Town net assessed valuation as of April 1, 2022 utilized in the setting of the tax rate was as follows:

| | |
|-------------------------------------|------------------|
| For the New Hampshire education tax | \$ 3,084,980,890 |
| For all other taxes | \$ 3,120,305,790 |

The tax rates and amounts assessed for the year ended December 31, 2022 were as follows:

| | Per \$1,000 of Assessed Valuation | Property Taxes Assessed |
|------------------------|---|-------------------------------|
| Municipal portion | \$ 3.30 | \$ 10,281,691 |
| School portion: | | |
| State of New Hampshire | 1.28 | 3,963,511 |
| Local | 14.30 | 44,631,565 |
| County portion | 0.88 | 2,735,260 |
| Precinct portions: | | |
| Breezy Gale Village | 1.44 | 30,138 |
| Cobbetts Pond Village | 0.17 | 50,123 |
| Moeckel Pond Village | 0.52 | 5,063 |
| Total | <u>\$ 21.89</u> | <u>\$ 61,697,351</u> |

1-I Accounts Payable

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of December 31, 2022.

TOWN OF WINDHAM, NEW HAMPSHIRE
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1-J Deferred Outflows/Inflows of Resources

Deferred outflows of resources, a separate financial statement element, represents a consumption of net position or fund balance that applies to a future period(s) and thus will not be recognized as an outflow of resources (expenses) until then. The Town has two items that qualify for reporting in this category. Deferred outflows related to pensions and deferred outflows related to OPEB are reported in the government-wide Statement of Net Position for various estimate differences that will be amortized and recognized over future years.

Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year.

1-K Compensated Absences

General leave for the Town includes vacation, sick, and retirement stipend pay. General leave is based on an employee's length of employment and is earned ratably during the span of employment. Upon retirement or termination, employees are paid full value for any accrued general leave earned as set forth by the Town's personnel policy/handbook.

Vested or accumulated general leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated general leave that are not expected to be liquidated with expendable available resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

1-L Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position.

In the fund financial statements, governmental fund types recognize bond premium during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources.

In accordance with GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Director Borrowings and Direct Placements*, the Town utilizes the following classifications to categorize the financial transactions:

Direct Borrowings – financial transactions for a note or a loan where the Town negotiates certain terms with a single lender and are not offered for public sale.

Direct Placements – financial transactions for the sale of bonds where the Town engages with a single buyer or limited number of buyers without a public offering.

1-M Defined Benefit Pension Plan

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* and GASB Statement No. 82 *Pension Issues – an amendment of GASB Statement No. 67, No. 68 and No.73* requires participating employers to recognize their proportionate share of collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, and schedules have been prepared to provide employers with their calculated proportionate share of these amounts. The collective amounts have been allocated based on employer contributions during the respective fiscal years. Contributions from employers are recognized when legally due, based on statutory requirements.

The schedules prepared by New Hampshire Retirement System, and audited by the plan's independent auditors, require management to make a number of estimates and assumptions related to the reported amounts. Due to the inherent nature and uncertainty of these estimates, actual results could differ, and the differences may be material.

TOWN OF WINDHAM, NEW HAMPSHIRE
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1-N Postemployment Benefits Other Than Pensions (OPEB)

The Town maintains two separate other postemployment benefit plans, as follows:

New Hampshire Retirement System Plan – For the purposes of measuring the total other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Hampshire Retirement System OPEB Plan (the plan) and additions to/deductions from the plan's fiduciary net position has been determined on the same basis as they are reported by the New Hampshire Retirement System. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Single Employer Plan – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information has been determined based on the Town's actuarial report. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms.

1-O Net Position/Fund Balances

Government-wide Statements – Equity is classified as net position and displayed in three components:

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds or notes that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.

Restricted net position – Results when constraints placed on net position use are either externally imposed by a third party (statutory, bond covenant, or granting agency) or are imposed by law through constitutional provisions or enabling legislation. The Town typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a further project.

Unrestricted net position – Consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

Fund Balance Classifications – GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides more clearly defined fund balance categories to make sure the nature and extent of the constraints placed on a government's fund balances are more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable – Amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items, inventory or tax deeded property subject to resale); or (b) are legally or contractually required to be maintained intact.

Restricted – Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (Town Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Selectmen through the budgetary process.

Unassigned – Amounts that are available for any purpose. Positive amounts are reported only in the general fund.

TOWN OF WINDHAM, NEW HAMPSHIRE
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When multiple net position/fund balance classifications are available for use, it is the government's policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

The minimum level of unassigned fund balance in the general fund shall be maintained at \$300,000. The Board of Selectmen will review this each year in order to determine the appropriate amount of unassigned fund balance to be used to reduce the property tax rate.

1-P Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include assessing the collectability of receivables, the useful lives of capital assets, net pension liability, other postemployment benefit liability, deferred outflows and inflows of resources related to both pension and other postemployment benefits, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town's operations. At its annual meeting, the Town adopts a budget for the current year for the major general fund and a nonmajor special revenue fund (Searles Fund). Except as reconciled below, the budget was adopted on a basis consistent with US generally accepted accounting principles.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2022, \$513,142 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

While the Town reports financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual is presented for each major governmental fund which had a budget.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Differences between the budgetary basis and GAAP basis of accounting for the general fund are as follows:

| | |
|---|----------------------|
| Revenues and other financing sources: | |
| Per Exhibit D (budgetary basis) | \$ 18,112,469 |
| Adjustments: | |
| Basis differences: | |
| Note inception | 53,000 |
| GASB Statement No. 54: | |
| To record revenue of the blended funds | 89,774 |
| Change in deferred tax revenue relating to 60-day revenue recognition | |
| recognized as revenue on the GAAP basis, but not on the budgetary basis | 41,350 |
| Per Exhibit C-3 (GAAP basis) | <u>\$ 18,296,593</u> |
| Expenditures and other financing uses: | |
| Per Exhibit D (budgetary basis) | \$ 17,931,010 |
| Adjustments: | |
| Basis differences: | |
| Note inception | 53,000 |
| Encumbrances, beginning | 361,202 |
| Encumbrances, ending | (370,510) |
| GASB Statement No. 54: | |
| To record expenditures of the blended funds | 106,084 |
| To eliminate transfers between general and blended funds | (75,000) |
| Per Exhibit C-3 (GAAP basis) | <u>\$ 18,005,786</u> |

2-C Accounting Change

Governmental Accounting Standards Board Statement No. 87, *Leases*, was implemented during fiscal year 2022. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Town has assessed all potential agreements that may be applicable for reporting under GASB Statement No. 87 and have determined that none of the agreements have met the requirements of the pronouncement.

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

At December 31, 2022, the reported amount of the Town's deposits was \$30,634,974 and the bank balance was \$29,114,746. Of the bank balance \$29,107,465 was covered by federal depository insurance or by collateral held by the pledging bank in the Town's name, and \$7,281 was uninsured and uncollateralized.

Cash and cash equivalents reconciliation:

| | |
|---|----------------------|
| Cash per Statement of Net Position (Exhibit A) | \$ 28,633,802 |
| Cash per Statement of Fiduciary Net Position - Fiduciary Fund (Exhibit E-1) | 2,001,172 |
| Total cash and cash equivalents | <u>\$ 30,634,974</u> |

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 4 – INVESTMENTS

Note 1-D describes statutory requirements covering the investment of the Town funds. The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements and maturities as of December 31, 2022:

| | Valuation Measurement Method | Reported Balance | Exempt from Disclosure |
|------------------------------------|------------------------------------|---------------------|---------------------------|
| Investments type: | | | |
| Common stock | Level 1 | \$ 198,781 | \$ 198,781 |
| Equity exchange traded funds | Level 1 | 91,572 | 91,572 |
| Fixed income exchange traded funds | Level 2 | 31,687 | 31,687 |
| Total fair value | | <u>\$ 322,040</u> | <u>\$ 322,040</u> |

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Treasurer and Board of Selectmen's investment policy states that 100% of the portfolio must have maturities of one year or less and 50% of that must have minimum maturities of 90 days or less. The Trustees of Trust funds investment policy does not directly address this risk.

Credit Risk – The Treasurer and Board of Selectmen's investment policy states that investments in bonds must have an investment grade rating issued by Moody's and S&P at minimums of Aa2 and AA, respectively. The Trustees of Trust funds investment policy does not directly address this risk. The Town's investment pool had the following credit risk structure:

| Investments Type | Reported Balance | Exempt from Disclosure |
|------------------------------------|---------------------|---------------------------|
| Common stock | \$ 198,781 | \$ 198,781 |
| Equity exchange traded funds | 91,572 | 91,572 |
| Fixed income exchange traded funds | 31,687 | 31,687 |
| Total | <u>\$ 322,040</u> | <u>\$ 322,040</u> |

Custodial Credit Risk – This is the risk that in the event of the failure of the counterparty (e.g., broker/dealer) to honor a transaction, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Treasurer and Board of Selectmen's investment policy require that federally insured bank shall have such fund, at the time of deposit of investment, secured by collateral having market value at least equal to 102% of the amount deposited or invested. The Trustees of Trust funds investment policy does not directly address this risk.

Concentration of Credit Risk – The Town places no limit on the amount it may invest in any one issuer. More than 5% of the Town's investments are in Allied Signal, which are 60.2% of the Town's total investments.

Investment reconciliation:

| | |
|---|-------------------|
| Investments per Statement of Net Position (Exhibit A) | \$ 300,638 |
| Investments per Statement of Fiduciary Net Position (Exhibit E-1) | 21,402 |
| Total investments | <u>\$ 322,040</u> |

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NOTE 5 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2022. The amount has been reduced by an allowance for an estimated uncollectible amount of \$125,000. Taxes receivable by year are as follows:

| | As reported on: | |
|---|---------------------|---------------------|
| | Exhibit A | Exhibit C-1 |
| Property: | | |
| Levy of 2022 | \$ 2,114,890 | \$ 2,114,890 |
| Unredeemed (under tax lien): | | |
| Levy of 2021 | 149,727 | 149,727 |
| Levy of 2020 | 113,020 | 113,020 |
| Levies of 2019 and prior | 66,640 | 66,640 |
| Yield | 7,305 | 7,305 |
| Less: allowance for estimated uncollectible taxes | (125,000) * | - |
| Net taxes receivable | <u>\$ 2,326,582</u> | <u>\$ 2,451,582</u> |

*The allowance for uncollectible property taxes is not recognized under the modified accrual basis of accounting (Exhibit C-1 and C-3) due to the 60-day rule as explained in Note 1-B. However, the allowance is recognized under the full accrual basis of accounting (Exhibits A and B).

NOTE 6 – OTHER RECEIVABLES

Receivables at December 31, 2022, consisted of accounts (billings for police details, ambulance, franchise fees, and other user charges) and intergovernmental amounts arising from grants. Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

Receivables as of December 31, 2022 for the Town's major fund and nonmajor funds in the aggregate including applicable allowances for uncollectible accounts are as follows:

| | General Fund | Nonmajor Funds | Total | Fiduciary Funds |
|------------------------------------|-------------------|----------------|-------------------|-------------------------|
| Receivables: | | | | |
| Accounts | \$ 426,534 | \$ - | \$ 426,534 | \$ - |
| Intergovernmental | - | - | - | 24,095,076 ¹ |
| Gross receivables | 426,534 | - | 426,534 | 24,095,076 |
| Less: allowance for uncollectibles | (74,243) | - | (74,243) | - |
| Net total receivables | <u>\$ 352,291</u> | <u>\$ -</u> | <u>\$ 352,291</u> | <u>\$ 24,095,076</u> |

¹ Fiduciary Funds - intergovernmental receivables represent property taxes collected on behalf of the Windham School District. These amounts are collected and are part of the Town's general fund cash at year-end. The general fund reports an offsetting intergovernmental payable for this amount at year-end, see Note 9.

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022 is as follows:

| | Balance, beginning | Additions | Deletions | Balance, ending |
|--|--------------------|---------------|-----------|-------------------|
| At cost: | | | | |
| Not being depreciated: | | | | |
| Land | \$ 15,664,814 | \$ 13,446 | \$ - | \$ 15,678,260 |
| Construction in progress | 922,568 | 20,028 | - | 942,596 |
| Total capital assets not being depreciated | <u>16,587,382</u> | <u>33,474</u> | <u>-</u> | <u>16,620,856</u> |

(Continued)

TOWN OF WINDHAM, NEW HAMPSHIRE
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Capital assets continued:

| | Balance, beginning | Additions | Deletions | Balance, ending |
|--|-----------------------|----------------|------------|--------------------|
| Being depreciated: | | | | |
| Land improvements | 1,969,612 | - | - | 1,969,612 |
| Buildings and building improvements | 9,191,050 | 36,760 | - | 9,227,810 |
| Vehicles and equipment | 9,348,195 | 374,135 | (245,377) | 9,476,953 |
| Infrastructure | 48,934,124 | - | - | 48,934,124 |
| Total capital assets being depreciated | 69,442,981 | 410,895 | (245,377) | 69,608,499 |
| Total all capital assets | 86,030,363 | 444,369 | (245,377) | 86,229,355 |
| Less accumulated depreciation: | | | | |
| Land improvements | (1,654,429) | (49,002) | - | (1,703,431) |
| Buildings and building improvements | (5,640,179) | (223,904) | - | (5,864,083) |
| Vehicles and equipment | (6,157,347) | (592,678) | 240,766 | (6,509,259) |
| Infrastructure | (36,304,351) | (1,093,244) | - | (37,397,595) |
| Total accumulated depreciation | (49,756,306) | (1,958,828) | 240,766 | (51,474,368) |
| Net book value, capital assets being depreciated | 19,686,675 | (1,547,933) | (4,611) | 18,134,131 |
| Net book value, all governmental activities capital assets | \$ 36,274,057 | \$ (1,514,459) | \$ (4,611) | \$ 34,754,987 |

Depreciation expense was charged to functions of the Town based on their usage of the related assets. The amounts allocated to each function are as follows:

| | |
|----------------------------|---------------------|
| General government | \$ 36,027 |
| Public safety | 142,152 |
| Highways and streets | 1,601,708 |
| Sanitation | 59,809 |
| Culture and recreation | 119,132 |
| Total depreciation expense | <u>\$ 1,958,828</u> |

NOTE 8 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of December 31, 2022 is as follows:

| Receivable Fund | Payable Fund | Amount |
|-----------------|--------------|-------------------|
| Nonmajor | General | \$ 148,394 |
| | Nonmajor | 14,385 |
| | | <u>\$ 162,779</u> |

The outstanding balances among funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers - The composition of interfund transfers for the year ended December 31, 2022 is as follows:

| | |
|----------------|-------------------|
| | Transfers In: |
| | General |
| | Fund |
| Transfers out: | |
| Nonmajor funds | <u>\$ 268,425</u> |

During the year, transfers are used to (1) move revenues from the fund with collection authority to the fund responsible for expenditure and (2) move general fund resources to provide an annual subsidy.

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NOTE 9 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments at December 31, 2022 consist of the following:

| | Governmental Fund General | Fiduciary Funds |
|--|---------------------------------|-------------------------|
| Balance due to the New Hampshire Retirement System | \$ 381,664 | \$ - |
| Other | 85,767 | - |
| Property taxes due to the custodial funds | 24,095,076 ² | - |
| Property taxes due to the Windham School District | - | 24,095,076 ³ |
| Total intergovernmental payables due | <u>\$ 24,562,507</u> | <u>\$ 24,095,076</u> |

² Property taxes due to the custodial fund represent amounts collected by the Town on behalf of Windham School District and are reported as a component of general fund cash at year-end.

³ Property taxes due to the Windham School District represent amounts collected by the Town that will be paid to the School District in incremental payments based upon an agreed schedule in the next calendar year.

NOTE 10 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources are as follows:

| | Government- wide |
|--|---------------------|
| Amounts related to pensions, see Note 13 | \$ 2,933,635 |
| Amounts related to OPEB, see Note 15 | 95,855 |
| Total deferred outflows of resources | <u>\$ 3,029,490</u> |

Deferred inflows of resources are as follows:

| | Government- wide | General Fund | Nonmajor Governmental Funds |
|--|---------------------|-------------------|-----------------------------------|
| Property taxes not collected within 60 days of the fiscal year-end | \$ - | \$ 148,023 | \$ - |
| Property taxes collected in advance of commitment | 22,909 | 22,909 | - |
| Additional Highway block grant money received and not yet expended | 352,114 | 352,114 | - |
| ARPA grant monies received in advance of eligible expenditures | 1,223,727 | - | 1,223,727 |
| Amounts related to pensions, see Note 13 | 386,838 | - | - |
| Amounts related to OPEB, see Note 15 | 271,205 | - | - |
| Total deferred inflows of resources | <u>\$ 2,256,793</u> | <u>\$ 523,046</u> | <u>\$ 1,223,727</u> |

NOTE 11 – SHORT-TERM DEBT

Changes in the Town's short-term borrowings during the year ended December 31, 2022 consisted of the following:

| Governmental Activities | Original Issue | Interest Rate | Balance January 1, 2022 | Additions | Deletions | Balance December 31, 2022 |
|---------------------------|---------------------|------------------|----------------------------|-------------|-----------------------|------------------------------|
| TAN - Bank of New England | <u>\$ 8,000,000</u> | 0.50% | <u>\$ 8,000,000</u> | <u>\$ -</u> | <u>\$ (8,000,000)</u> | <u>\$ -</u> |

The purpose of the short-time borrowings was to provide for interim financing of general fund operations.

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NOTE 12 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended December 31, 2022:

| | Balance January 1, 2022 | Additions | Reductions | Balance December 31, 2022 | Due Within One Year | Due in More Than One Year |
|-----------------------------------|-------------------------------|---------------------|---------------------|---------------------------------|------------------------|------------------------------|
| Direct placements: | | | | | | |
| General obligation bonds | \$ 2,696,125 | \$ - | \$ (241,125) | \$ 2,455,000 | \$ 245,000 | \$ 2,210,000 |
| Premium | 399,241 | - | (36,426) | 362,815 | 36,426 | 326,389 |
| Total bonds payable | 3,095,366 | - | (277,551) | 2,817,815 | 281,426 | 2,536,389 |
| Direct borrowings - notes payable | 863,570 | 53,000 | (305,786) | 610,784 | 128,701 | 482,083 |
| Compensated absences | 1,580,862 | 73,608 | (166,020) | 1,488,450 | 78,710 | 1,409,740 |
| Net pension liability | 13,391,944 | 3,708,515 | - | 17,100,459 | - | 17,100,459 |
| Net other postemployment benefits | 2,157,188 | - | (67,378) | 2,089,810 | - | 2,089,810 |
| Total long-term liabilities | <u>\$ 21,088,930</u> | <u>\$ 3,835,123</u> | <u>\$ (816,735)</u> | <u>\$ 24,107,318</u> | <u>\$ 488,837</u> | <u>\$ 23,618,481</u> |

Long-term bonds/notes are comprised of the following:

| | Original Amount | Issue Date | Maturity Date | Interest Rate % | Outstanding at December 31, 2022 |
|------------------------------------|--------------------|---------------|------------------|--------------------|--|
| Direct placements - bonds payable: | | | | | |
| Land /Water-line /Truck | \$ 2,481,500 | 2019 | 2034 | 2.13 | \$ 1,900,000 |
| Fire Engine | \$ 631,125 | 2021 | 2029 | 0.81 | 555,000 |
| | | | | | <u>2,455,000</u> |
| Direct placements - notes payable: | | | | | |
| Aerial Truck | \$ 850,000 | 2017 | 2027 | 2.45 | 321,467 |
| Searles Building Renovation | \$ 300,000 | 2020 | 2032 | 2.30 | 254,423 |
| Fire Department Vehicle | \$ 53,000 | 2022 | 2024 | 4.39 | 34,894 |
| | | | | | <u>610,784</u> |
| Bond premium | | | | | <u>362,815</u> |
| Total | | | | | <u>\$ 3,428,599</u> |

The annual requirements to amortize all general obligation bonds/notes outstanding as of December 31, 2022, including interest payments, are as follows:

| Fiscal Year Ending December 31, | Bonds-Direct Placements | | | Notes-Direct Borrowings | | |
|------------------------------------|-------------------------|-------------------|---------------------|-------------------------|------------------|-------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2023 | \$ 245,000 | \$ 108,930 | \$ 353,930 | \$ 128,701 | \$ 15,260 | \$ 143,961 |
| 2024 | 245,000 | 96,435 | 341,435 | 132,152 | 11,810 | 143,962 |
| 2025 | 245,000 | 83,940 | 328,940 | 117,095 | 8,261 | 125,356 |
| 2026 | 240,000 | 71,445 | 311,445 | 73,300 | 4,286 | 77,586 |
| 2027 | 240,000 | 59,205 | 299,205 | 25,101 | 3,669 | 28,770 |
| 2028-2032 | 930,000 | 134,955 | 1,064,955 | 134,435 | 9,416 | 143,851 |
| 2033-2034 | 310,000 | 13,058 | 323,058 | - | - | - |
| Totals | <u>\$ 2,455,000</u> | <u>\$ 567,968</u> | <u>\$ 3,022,968</u> | <u>\$ 610,784</u> | <u>\$ 52,702</u> | <u>\$ 663,486</u> |

All debt is general obligation debt of the Town, which is backed by its full faith and credit, and will be repaid from general governmental revenues.

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Bonds/Notes Authorized and Unissued – Bonds and notes authorized and unissued as of December 31, 2022 were as follows:

| Per Town Meeting Vote of | Purpose | Unissued Amount |
|--------------------------------|---|---------------------|
| March 10, 2015 | Fire Engine/Tanker Truck | \$ 9,714 |
| March 12, 2019 | MSDC from Southern NH Regional Water Line | 35,000 |
| March 12, 2019 | Tractor Truck for Transfer Station | 6,500 |
| March 8, 2022 | Purchase Conservation Land and Easements | 6,200,000 |
| | | <u>\$ 6,251,214</u> |

NOTE 13 – DEFINED BENEFIT PENSION PLAN

Plan Description – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* – an amendment of GASB Statement No. 25. The Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers with in the State are eligible and required to participate in the Pension Plan. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

Benefits Provided – Benefit formulas and eligibility requirements for the Pension Plan are set by state law (RSA 100-A). The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II.

Group I benefits are provided based on creditable service and average final salary for the highest of either three or five years, depending on when service commenced.

Group II benefits are provided based on age, years of creditable service and benefit multiplier depending on vesting status as of 1/1/12. The maximum retirement allowance for Group II members vested by 1/1/12 (45 years of age with 20 years of service or age 60 regardless of years of creditable service) is the average final compensation multiplied by 2.5% multiplied by creditable service. For Group II members not vested by 1/1/12 the benefit is calculated the same way but the multiplier used in the calculation will change depending on age and years of creditable service as follows:

| Years of Creditable Service as of 1/1/12 | Minimum Age | Minimum Service | Benefit Multiplier |
|--|-------------|-----------------|--------------------|
| At least 8 but less than 10 years | 46 | 21 | 2.4% |
| At least 6 but less than 8 years | 47 | 22 | 2.3% |
| At least 4 but less than 6 years | 48 | 23 | 2.2% |
| Less than 4 years | 49 | 24 | 2.1% |

Members of both groups may qualify for vested deferred allowances, disability allowances and death benefit allowances, subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation and/or service.

Contributions – The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. Group I members are required to contribute 7% of earnable compensation and group II members (police and fire) are required to contribute 11.55% and 11.80% respectively. For fiscal year 2022, the Town contributed 30.67% for police, 29.78% for fire and 13.75% for other employees. The contribution requirement for the fiscal year 2022 was \$1,698,131, which was paid in full.

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Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At December 31, 2022 the Town reported a liability of \$17,100,459 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2022, the Town's proportion was .30% which was the same as its proportion measured as of June 30, 2021.

For the year ended December 31, 2022, the Town recognized pension expense of \$1,556,257. At December 31, 2022 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Changes in proportion | \$ 195,338 | \$ 321,192 |
| Changes in assumptions | 909,608 | - |
| Net difference between projected and actual investment earnings on pension plan investments | 648,085 | - |
| Differences between expected and actual experience | 320,945 | 65,646 |
| Contributions subsequent to the measurement date | 859,659 | - |
| Total | <u>\$ 2,933,635</u> | <u>\$ 386,838</u> |

The \$859,659 reported as deferred outflows of resources related to pensions results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Fiscal Year Ending December 31, | |
|------------------------------------|---------------------|
| 2023 | \$ 602,074 |
| 2024 | 601,234 |
| 2025 | (372,300) |
| 2026 | 856,130 |
| Thereafter | - |
| Totals | <u>\$ 1,687,138</u> |

Actuarial Assumptions – The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2021, using the following actuarial assumptions which, accordingly apply to 2022 measurements:

| | |
|----------------------------|---|
| Inflation: | 2.0% |
| Salary increases: | 5.4% average, including inflation |
| Wage inflation: | 2.75% (2.25% for teachers) |
| Investment rate of return: | 6.75% net of pension plan investment expense, including inflation |

Mortality rates were based on the Pub-2010 Health Retiree Mortality Tables with credibility adjustments for each group (Police and Fire combined) and projected fully generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2015 – June 30, 2019.

Long-term Rates of Return – The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation.

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Following is a table presenting target allocations and long-term rates of return for 2022:

| Asset Class | Target Allocation | 30 Year Geometric Return |
|-----------------------------|-------------------|--------------------------|
| Broad US Equity (1) | 30.00% | 7.60% |
| Global Ex-US Equity (2) | 20.00% | 7.90% |
| Total public equity | 50.00% | |
| Real Estate Equity | 10.00% | 6.60% |
| Private Equity | 10.00% | 8.85% |
| Total private market equity | 20.00% | |
| Private Debt | 5.00% | 7.25% |
| Core U.S. Fixed Income (3) | 25.00% | 3.60% |
| Inflation | 0.00% | 2.25% |
| Total | 100.00% | 7.30% |

Discount Rate – The discount rate used to measure the collective total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.75% as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current rate:

| Actuarial Valuation Date | 1% Decrease 5.75% | Current Single Rate Assumption 6.75% | 1% Increase 7.75% |
|--------------------------|-------------------|--------------------------------------|-------------------|
| June 30, 2022 | \$ 22,944,504 | \$ 17,100,459 | \$ 12,241,676 |

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan financial report.

NOTE 14 – SUPPLEMENTAL RETIREMENT PLAN

The Town has a defined contribution supplemental retirement plan that covers full time employees, except for police and fire department employees. The plan was adopted on October 1, 1987. Employees are eligible for normal retirement after age 68. If a participant terminates their employment prior to the age of 65, they will be entitled to 100% of their contributions made and a percentage of the contributions made by the town based on completed years of service.

In order to participate in the plan, an employee must contribute an amount equal to 3% of their earnings. A participant may then make voluntary contributions up to an addition 10% of their earnings. The Town contributes 5% of the participant's total earnings to the plan. Covered wages paid under this plan during 2022 were \$3,048,618 or 36.7% of total wages of \$8,320,092. Employee contributions included additional voluntary contributions to the plan were \$127,642 or 4.2% of covered wages.

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NOTE 15 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

15-A New Hampshire Retirement System (NHRS)

Plan Description – The New Hampshire Retirement System (NHRS or the System) administers a cost-sharing multiple-employer other postemployment benefit plan medical subsidy healthcare plan (OPEB Plan). For additional system information, please refer to the 2022 Comprehensive Annual Financial Report, which can be found on the system’s website at www.nhrs.org.

Benefits Provided - Benefit amounts and eligibility requirements for the OPEB Plan are set by state law (RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b), and members are designated in statute by type. The four membership types are Group II, Police Officers and Firefighters; Group I, Teachers; Group I, Political Subdivision Employees; and Group I, State Employees. The OPEB Plan provides a medical insurance subsidy to qualified retired members. The medical insurance subsidy is a payment made by NHRS to the former employer or its insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certified dependent children with a disability who are living in the household and being cared for by the retiree. If the health insurance premium amount is less than the medical subsidy amount, then only the health insurance premium amount will be paid. If the health insurance premium amount exceeds the medical subsidy amount, then the retiree or other qualified person is responsible for paying any portion that the employer does not pay.

Group I benefits are based on creditable service, age and retirement date. Group II benefits are based on hire date, age and creditable service. The OPEB plan is closed to new entrants.

Maximum medical subsidy rates paid during fiscal year 2022 were as follows:

For qualified retirees not eligible for Medicare, the amounts were \$375.56 for a single-person plan and \$751.12 for a two-person plan.

For those qualified retirees eligible for Medicare, the amounts were \$236.84 for a single-person plan and \$473.68 for a two-person plan.

Contributions – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year 2022, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For fiscal year 2022, the Town contributed 3.21% for police and fire, and 0.31% for other employees. The contribution requirement for the fiscal year 2022 was \$147,080, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – At December 31, 2022, the Town reported a liability of \$1,356,245 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The Town’s proportion of the net OPEB liability was based on a projection of the Town’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2022, the Town’s proportion was .36% which was an increase of .02% from its proportion measured as of June 30, 2021.

For the year ended December 31, 2022, the Town recognized OPEB expense of \$117,787. At December 31, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources |
|--|--------------------------------------|
| Net difference between projected and actual investment earnings on OPEB plan investments | \$ 3,707 |
| Contributions subsequent to the measurement date | 77,867 |
| Total | <u>\$ 81,574</u> |

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

The \$77,867 reported as deferred outflows of resources related to OPEB results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Fiscal Year Ending December 31, | |
|------------------------------------|-----------------|
| 2023 | \$ 616 |
| 2024 | 160 |
| 2025 | (1,458) |
| 2026 | 4,389 |
| Thereafter | - |
| Totals | <u>\$ 3,707</u> |

Actuarial Assumptions – The total OPEB liability in this report is based on an actuarial valuation performed as of June 30, 2021 and a measurement date of June 30, 2022. The total OPEB liability was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

| | |
|----------------------------|--|
| Price inflation: | 2.0% per year |
| Wage inflation: | 2.75% (2.25% for teachers) |
| Salary increases: | 5.4% average, including inflation |
| Investment rate of return: | 6.75% net of OPEB plan investment expense, including inflation |
| Health care trend rate: | Not applicable, given that the benefits are fixed stipends |

Mortality rates were based on the Pub-2010 Health Retiree Mortality Tables with credibility adjustments for each group (Police and Fire combined) and projected fully generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2015 – June 30, 2019.

Long-term Rates of Return – The long-term expected rate of return on OPEB plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2022:

| Asset Class | Target Allocation | 30 Year Geometric Return |
|-----------------------------|----------------------|--------------------------|
| Broad US Equity (1) | 30.00% | 7.60% |
| Global Ex-US Equity (2) | 20.00% | 7.90% |
| Total public equity | 50.00% | |
| Real Estate Equity | 10.00% | 6.60% |
| Private Equity | 10.00% | 8.85% |
| Total private market equity | 20.00% | |
| Private Debt | 5.00% | 7.25% |
| Core U.S. Fixed Income (3) | 25.00% | |
| Inflation | 0.00% | 2.25% |
| Total | 100.00% | 7.30% |

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2022 was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statute RSA 100-A:16 and that plan member contributions will be made under RSA 100-A:16. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

Sensitivity of the Town's Proportionate Share of the OPEB Liability to Changes in the Discount Rate – The following table presents the Town's proportionate share of the OPEB liability calculated using the discount rate of 6.75% as well as what the Town's proportionate share of the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current rate:

| Actuarial Valuation Date | 1% Decrease 5.75% | Current Single Rate Assumption 6.75% | 1% Increase 7.75% |
|--------------------------------|----------------------|--|----------------------|
| June 30, 2022 | \$ 1,472,435 | \$ 1,356,245 | \$ 1,255,053 |

OPEB Plan Fiduciary Net Position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit OPEB Plan financial report.

15-B Town of Windham Retiree Health Benefit Program

Plan Description – GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires governments to account for other postemployment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense on the Statement of Activities when a future retiree earns their postemployment benefits, rather than when they use their postemployment benefit. The postemployment benefit liability is recognized on the Statement of Net Position over time.

Benefits Provided – The Town provides postemployment healthcare benefits for certain eligible retirees. The Town provides medical benefits to its eligible retirees.

Employees Covered by Benefit Terms – At January 1, 2022 the following employees were covered by the benefit terms:

| | |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 27 |
| Active employees | 81 |
| Total participants covered by OPEB plan | <u>108</u> |

Total OPEB Liability – The Town's total OPEB liability of \$733,565 was measured as of December 31, 2022, and was determined by an actuarial valuation as of January 1, 2022.

Actuarial Assumptions and Other Inputs – The total OPEB liability of \$733,565 in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|--------------------------------|-------|
| Discount Rate: | 4.18% |
| Healthcare Cost Trend Rates: | |
| Current Year Trend | 7.00% |
| Second Year Trend | 6.75% |
| Decrement | 0.25% |
| Ultimate Trend | 4.50% |
| Year Ultimate Trend is Reached | 2034 |
| Salary Increases: | 3.00% |

The discount rate was based on the index provided by *Bond Buyer 20-Bond General Obligation Index* based on the 20-year AA municipal bond rate as of December 31, 2022.

Mortality rates were based on the RP-2000 Combined Health Participant Table Projected 10 years using Projection Scale AA.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

Changes in the Total OPEB Liability

| | December 31, | |
|--|-------------------|-------------------|
| | 2021 | 2022 |
| OPEB liability beginning of year | \$ 757,167 | \$ 788,730 |
| Changes for the year: | | |
| Service cost | 55,582 | 20,567 |
| Interest | 15,129 | 31,616 |
| Assumption changes and difference between actual and expected experience | (801) | (42,601) |
| Benefit payments | (38,347) | (64,747) |
| OPEB liability end of year | <u>\$ 788,730</u> | <u>\$ 733,565</u> |

Sensitivity of the Town's OPEB Liability to Changes in the Discount Rate – The January 1, 2022 actuarial valuation was prepared using a discount rate of 4.18%. If the discount rate were 1% higher than what was used the OPEB liability would decrease to \$777,364 or by 5.49%. If the discount rate were 1% lower than what was used the OPEB liability would increase to \$693,258 or by 5.97%.

| | Discount Rate | | |
|----------------------|-------------------|-------------------|-------------------|
| | 1% Decrease | Baseline 4.18% | 1% Increase |
| Total OPEB Liability | <u>\$ 777,364</u> | <u>\$ 733,565</u> | <u>\$ 693,258</u> |

Sensitivity of the Town's OPEB Liability to Changes in the Healthcare Cost Trend Rates – The January 1, 2022 actuarial valuation was prepared using an initial trend rate of 7.00%. If the trend rate were 1% higher than what was used the OPEB liability would increase to \$792,868 or by 8.08%. If the trend rate were 1% lower than what was used the OPEB liability would decrease to \$681,841 or by 7.05%.

| | Healthcare Cost Trend Rates | | |
|----------------------|-----------------------------|-------------------|-------------------|
| | 1% Decrease | Baseline 7.00% | 1% Increase |
| Total OPEB Liability | <u>\$ 681,841</u> | <u>\$ 733,565</u> | <u>\$ 792,868</u> |

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – For the year ended December 31, 2022, the Town recognized OPEB benefit of \$19,926. At December 31, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|------------------------|--------------------------------|-------------------------------|
| Changes in assumptions | <u>\$ 14,281</u> | <u>\$ 271,205</u> |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Fiscal Year Ending December 31, | |
|---------------------------------|---------------------|
| 2023 | \$ (72,109) |
| 2024 | (72,109) |
| 2025 | (72,109) |
| 2026 | (25,336) |
| 2027 | (4,290) |
| Thereafter | <u>(10,971)</u> |
| Totals | <u>\$ (256,924)</u> |

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

NOTE 16 - ENCUMBRANCES

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at December 31, 2022 are as follows:

| | |
|------------------------|-------------------|
| General fund: | |
| General government | \$ 25,700 |
| Sanitation | 10,000 |
| Culture and recreation | 22,310 |
| Conservation | 7,500 |
| Capital outlay | 305,000 |
| Total encumbrances | <u>\$ 370,510</u> |

NOTE 17 - GOVERNMENTAL ACTIVITIES AND FIDUCIARY FUNDS NET POSITION

Governmental activities and fiduciary fund net position reported on the Statements of Net Position at December 31, 2022 include the following:

| | Governmental Activities | Fiduciary Funds |
|--|----------------------------|---------------------|
| Net investment in capital assets: | | |
| Net book value, all governmental activities capital assets | \$ 34,754,987 | \$ - |
| Less: | | |
| General obligation bonds payable | (2,455,000) | - |
| Unamortized bond premium | (362,815) | - |
| Notes payable | (610,784) | - |
| Amount of debt related to unspent proceeds | 8,825 | - |
| Total net investment in capital assets | <u>31,335,213</u> | <u>-</u> |
| Restricted net position: | | |
| Nonexpendable permanent funds | 453,501 | - |
| Expendable permanent funds | 80,040 | - |
| Searles building | 98,579 | - |
| MSDC fund | 98,189 | - |
| Library | 59,786 | - |
| Searles donation | 974 | - |
| Donations | 30,217 | - |
| Individuals, organizations, and other governments | - | 2,022,574 |
| Total restricted net position | <u>821,286</u> | <u>2,022,574</u> |
| Unrestricted | (14,037,663) | - |
| Total net position | <u>\$ 18,118,836</u> | <u>\$ 2,022,574</u> |

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

NOTE 18 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2022 include the following:

| | General Fund | Nonmajor Funds | Total Governmental Funds |
|-------------------------------------|-----------------|-------------------|--------------------------------|
| Nonspendable: | | | |
| Permanent funds - principal balance | \$ - | \$ 453,501 | \$ 453,501 |
| Restricted: | | | |
| Library | 59,786 | - | 59,786 |
| Searles donation | 974 | - | 974 |
| Route 111 tree planting | 21,392 | - | 21,392 |
| Unspent bond proceeds | 8,825 | - | 8,825 |
| MSDC fund | - | 98,189 | 98,189 |
| Capital projects | - | 98,579 | 98,579 |
| Permanent funds - income balance | - | 80,040 | 80,040 |
| Total restricted fund balance | 90,977 | 276,808 | 367,785 |
| Committed: | | | |
| Expendable trust | 535,849 | - | 535,849 |
| Non-lapsing appropriations | 305,000 | - | 305,000 |
| Public safety details | - | 56,104 | 56,104 |
| Recreation revolving | - | 19,830 | 19,830 |
| Land purchase conservation | - | 1,279,259 | 1,279,259 |
| Cable and health expendable trust | - | 57,641 | 57,641 |
| Public safety impact fees | - | 384,483 | 384,483 |
| Searles fund | - | 21,558 | 21,558 |
| Fire cistern | - | 2,021 | 2,021 |
| Forest maintenance | - | 47,910 | 47,910 |
| Total committed fund balance | 840,849 | 1,868,806 | 2,709,655 |
| Assigned: | | | |
| Encumbrances | 65,510 | - | 65,510 |
| Abatement contingency | 50,000 | - | 50,000 |
| Law enforcement | 991 | - | 991 |
| Exaction fees | 11,606 | - | 11,606 |
| Cable and health expendable trust | - | 309,832 | 309,832 |
| Total assigned fund balance | 128,107 | 309,832 | 437,939 |
| Unassigned | 1,158,027 | - | 1,158,027 |
| Total governmental fund balances | \$ 2,217,960 | \$ 2,908,947 | \$ 5,126,907 |

NOTE 19 – PRIOR PERIOD ADJUSTMENT

Net position/fund balance at January 1, 2022 was restated to give retroactive effect to the following prior period adjustment:

| | Government-wide Statements | Exhibit C-3 General Fund | Exhibit D General Fund |
|---|-------------------------------|--------------------------------|------------------------------|
| To restate for grants revenues recorded improperly in the prior year and belongs to current period | \$ (19,248) | \$ (19,248) | \$ (19,248) |
| Net position, as previously reported | 18,746,508 | 1,946,401 | 875,203 |
| Net position, as restated | \$ 18,727,260 | \$ 1,927,153 | \$ 855,955 |

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

NOTE 20 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2022, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2022 to December 31, 2022 by Primex³, which retained \$2,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and for each property loss it is based upon the Town's property schedule on file with Primex³. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. In fiscal year 2022 the Town paid \$132,329 and \$245,791 respectively, to Primex for property, liability and worker's compensation. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

The Town continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 21 – TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. No such tax abatement programs were identified.

NOTE 22 – CONTINGENT LIABILITIES

There are various legal claims and suits pending against the Town which arose in the normal course of the governments activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect on the financial position of the Town.

The Town participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

NOTE 23 – PERFORMANCE DEPOSITS

The Town holds letters of credit and surety bonds from developers until projects have been completed to Town standards. Due to the nature of these letters and surety bonds they are not included as part of the financial statements. As of December 31, 2022, the Town held performance deposits totaling \$1,655,183.

NOTE 24 – HEALTH INSURANCE

Effective January 1, 1994, the Town provided employee medical/surgical benefits through a reduced premium plan, which is a modified self-insurance plan. The Town established a health insurance expendable trust fund, under RSA 31:19a to account for and finance its periodic insurance premiums and uninsured risk (the difference between prior coverage and current coverage levels). Effective January 1, 2003, the Town began augmenting the health insurance expendable trust with the general fund operating budget to fund health insurance costs. Employees are required to pay between 20-25% of the monthly premium.

Expenditures during 2022 were \$402,090 for health insurance premiums and \$1,092 in administrative expenses. Claims are reviewed by an outside claims administrator and then paid by the Town. At December 31, 2022, the unexpended balance of the health insurance expendable trust is \$53,891. No outstanding claims were reported at December 31, 2022.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

NOTE 25 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date but arose after the date. Management has evaluated subsequent events through April 29, 2024, the date the December 31, 2022 financial statements were available to be issued, and the following event occurred that requires recognition or disclosure:

At the January 30, 2023 Board of Selectmen meeting, the Board approved the purchase of land located at 16 Lowell Road in the amount of \$175,000. This property is to be held by the Town for conservation purposes.

At the 2023 Annual Town Meeting, held on March 14, 2023, the residents of the Town approved Warrant Article No. 10 authorizing the Board of Selectmen to enter into a lease purchase agreement totaling \$402,000 to purchase and outfit a new ambulance for the Fire Department.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT F
TOWN OF WINDHAM, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of Net Pension Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2022
Unaudited

| | December 31, | | | | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Town's proportion of the net pension liability | 0.31% | 0.32% | 0.32% | 0.32% | 0.32% | 0.30% | 0.29% | 0.30% | 0.30% | 0.30% |
| Town's proportionate share of the net pension liability | \$ 13,205,482 | \$ 11,947,160 | \$ 12,566,541 | \$ 17,016,632 | \$ 15,609,215 | \$ 14,652,315 | \$ 14,157,985 | \$ 19,490,607 | \$ 13,391,944 | \$ 17,100,459 |
| Town's covered payroll (as of measurement date) | \$ 5,710,821 | \$ 5,972,552 | \$ 6,054,805 | \$ 6,045,748 | \$ 6,201,605 | \$ 6,151,550 | \$ 6,580,040 | \$ 6,580,040 | \$ 9,805,413 | \$ 8,121,400 |
| Town's proportionate share of the net pension liability as a percentage of its covered payroll | 231.24% | 200.03% | 207.55% | 281.46% | 251.70% | 238.19% | 215.17% | 296.21% | 136.58% | 210.56% |
| Plan fiduciary net position as a percentage of the total pension liability | 59.81% | 66.32% | 65.47% | 58.30% | 62.66% | 64.73% | 65.59% | 58.72% | 72.22% | 65.12% |

EXHIBIT G
TOWN OF WINDHAM, NEW HAMPSHIRE
Schedule of Town Contributions - Pensions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2022
Unaudited

| | December 31, | | | | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Contractually required contribution | \$ 762,954 | \$ 1,032,595 | \$ 1,064,217 | \$ 1,145,875 | \$ 1,162,737 | \$ 1,286,117 | \$ 1,280,494 | \$ 1,356,011 | \$ 1,576,592 | \$ 1,698,131 |
| Contributions in relation to the contractually required contributions | (762,954) | (1,032,595) | (1,064,217) | (1,145,875) | (1,162,737) | (1,286,117) | (1,280,494) | (1,356,011) | (1,576,592) | (1,698,131) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Town's covered payroll (as of fiscal year) | \$ 5,710,821 | \$ 5,972,552 | \$ 6,054,805 | \$ 6,045,748 | \$ 6,201,615 | \$ 6,151,550 | \$ 6,580,040 | \$ 8,063,846 | \$ 10,075,101 | \$ 7,267,150 |
| Contributions as a percentage of covered payroll | 13.36% | 17.29% | 17.58% | 18.95% | 18.75% | 20.91% | 19.46% | 16.82% | 15.65% | 23.37% |

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

***Schedule of the Town's Proportionate Share of Net Pension Liability and
Schedule of Town Contributions - Pensions***

Changes in Benefit Terms – There were no changes in benefit terms for the current period.

Changes in Assumptions – Salary increases changed to 5.4% from 5.6% in the current period.

Methods and Assumptions Used to Determine Contribution Rates – A full list of the methods and assumptions used to determine the contribution rates can be found in the most recent actuarial valuation report. This report can be located at www.nhrs.org.

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits F and G represent the actuarial determined costs associated with the Town's pension plan at December 31, 2022. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

EXHIBIT H
TOWN OF WINDHAM, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefits Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2022
Unaudited

| | December 31, | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Town's proportion of the net OPEB liability | 0.26% | 0.26% | 0.37% | 0.36% | 0.34% | 0.34% | 0.36% |
| Town's proportionate share of the net OPEB liability (asset) | \$ 1,247,119 | \$ 1,184,325 | \$ 1,708,696 | \$ 1,571,955 | \$ 1,501,059 | \$ 1,368,458 | \$ 1,356,245 |
| Town's covered payroll (as of measurement date) | \$ 6,045,748 | \$ 6,201,615 | \$ 6,151,550 | \$ 6,580,040 | \$ 6,580,040 | \$ 9,805,413 | \$ 8,121,400 |
| Town's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll | 20.63% | 19.10% | 27.78% | 23.89% | 22.81% | 13.96% | 16.70% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 5.21% | 7.91% | 7.53% | 7.75% | 7.74% | 11.06% | 10.64% |

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

EXHIBIT I
TOWN OF WINDHAM, NEW HAMPSHIRE
Schedule of Town Contributions - Other Postemployment Benefits
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2022
Unaudited

| | December 31, | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|---------------|--------------|
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Contractually required contribution | \$ 149,689 | \$ 153,521 | \$ 165,079 | \$ 163,631 | \$ 159,697 | \$ 158,782 | \$ 147,080 |
| Contributions in relation to the contractually required contribution | (149,689) | (153,521) | (165,079) | (163,631) | (159,697) | (158,782) | (147,080) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Town's covered payroll (as of fiscal year) | \$ 6,045,748 | \$ 6,201,615 | \$ 6,151,550 | \$ 6,580,040 | \$ 8,063,846 | \$ 10,075,101 | \$ 7,267,150 |
| Contributions as a percentage of covered payroll | 2.48% | 2.48% | 2.68% | 2.49% | 1.98% | 1.58% | 2.02% |

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

EXHIBIT J
TOWN OF WINDHAM, NEW HAMPSHIRE
Schedule of Changes in the Town's Total Other Postemployment Benefits Liability and Related Ratios
Retiree Health Benefit Program
For the Fiscal Year Ended December 31, 2022
Unaudited

| | December 31, | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 |
| OPEB liability, beginning of year | \$ 1,288,962 | \$ 1,240,057 | \$ 689,846 | \$ 757,167 | \$ 788,730 |
| Changes for the year: | | | | | |
| Service cost | 27,681 | 47,470 | 54,139 | 55,582 | 20,567 |
| Interest | 42,054 | 34,475 | 14,169 | 15,129 | 31,616 |
| Assumption changes and difference between actual and expected experience | - | (513,371) | 24,169 | (801) | (42,601) |
| Benefit payments | (118,640) | (118,785) | (25,156) | (38,347) | (64,747) |
| OPEB liability, end of year | <u>\$ 1,240,057</u> | <u>\$ 689,846</u> | <u>\$ 757,167</u> | <u>\$ 788,730</u> | <u>\$ 733,565</u> |
| Covered payroll | <u>\$ 5,118,564</u> | <u>\$ 6,299,911</u> | <u>\$ 6,299,911</u> | <u>\$ 6,299,911</u> | <u>\$ 5,745,810</u> |
| Total OPEB liability as a percentage of covered payroll | 24.23% | 10.95% | 12.02% | 12.52% | 12.77% |

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFIT LIABILITY
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

***Schedule of the Town's Proportionate Share of Net Other Postemployment Benefits Liability and
Schedule of Town Contributions – Other Postemployment Benefits***

Changes in Benefit Terms – There were no changes in benefit terms for the current period.

Changes in Assumptions – Salary increases changed to 5.4% from 5.6% in the current period.

Methods and Assumptions Used to Determine Contribution Rates – A full list of the methods and assumptions used to determine the contribution rates can be found in the most recent actuarial valuation report. This report can be located at www.nhrs.org.

As required by GASB Statement No. 75, Exhibits H and I represent the actuarial determined costs associated with the Town's other postemployment benefits at December 31, 2022. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

Schedule of Changes in Town's Total Other Postemployment Benefits Liability and Related Ratios

Changes in Benefit Terms – There were no changes in benefit terms for the current period.

Changes in Assumptions – There were no changes in assumptions for the current period.

As required by GASB Statement No. 75, Exhibit J represents the actuarial determined costs associated with the Town's other postemployment benefits at December 31, 2022. The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
TOWN OF WINDHAM, NEW HAMPSHIRE
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2022

| | Estimated | Actual | Variance Positive (Negative) |
|--|---------------|---------------|------------------------------------|
| Taxes: | | | |
| Property | \$ 9,950,135 | \$ 9,721,351 | \$ (228,784) |
| Yield | 3,600 | 9,083 | 5,483 |
| Boat | 17,000 | 19,937 | 2,937 |
| Payment in lieu of taxes | 9,657 | 10,272 | 615 |
| Interest and penalties on taxes | 125,000 | 92,879 | (32,121) |
| Total from taxes | 10,105,392 | 9,853,522 | (251,870) |
| Licenses, permits, and fees: | | | |
| Motor vehicle permit fees | 4,150,000 | 4,229,744 | 79,744 |
| Building permits | 150,000 | 144,622 | (5,378) |
| Other | 97,000 | 87,763 | (9,237) |
| Total from licenses, permits, and fees | 4,397,000 | 4,462,129 | 65,129 |
| Intergovernmental: | | | |
| State: | | | |
| Meals and rooms distribution | 1,399,070 | 1,399,070 | - |
| Highway block grant | 341,559 | 631,926 | 290,367 |
| Other | - | 100,370 | 100,370 |
| Federal: | | | |
| CARES and COVID-19 grants | 34,000 | 189,819 | 155,819 |
| Total from intergovernmental | 1,774,629 | 2,321,185 | 546,556 |
| Charges for services: | | | |
| Income from departments | 929,375 | 1,045,069 | 115,694 |
| Miscellaneous: | | | |
| Sale of municipal property | 1,000 | - | (1,000) |
| Interest on investments | 11,000 | 24,645 | 13,645 |
| Other | 212,079 | 137,494 | (74,585) |
| Total from miscellaneous | 224,079 | 162,139 | (61,940) |
| Other financing sources: | | | |
| Transfers in | 193,200 | 268,425 | 75,225 |
| Total revenues and other financing sources | 17,623,675 | \$ 18,112,469 | \$ 488,794 |
| Unassigned fund balance used to reduce tax rate | 513,142 | | |
| Total revenues, other financing sources, and use of fund balance | \$ 18,136,817 | | |

See Independent Auditor's Report.

SCHEDULE 2
TOWN OF WINDHAM, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2022

| | Encumbered from Prior Year | Appropriations | Expenditures | Encumbered to Subsequent Year | Variance Positive (Negative) |
|---|----------------------------------|----------------|---------------|-------------------------------------|------------------------------------|
| Current: | | | | | |
| General government: | | | | | |
| Executive | \$ - | \$ 3,330 | \$ 3,036 | \$ - | \$ 294 |
| Election and registration | - | 32,180 | 36,373 | - | (4,193) |
| Financial administration | 67,545 | 1,679,930 | 1,885,564 | 19,500 | (157,589) |
| Revaluation of property | 12,500 | 203,840 | 197,714 | - | 18,626 |
| Legal | - | 133,500 | 131,378 | - | 2,122 |
| Planning and zoning | - | 607,690 | 638,335 | - | (30,645) |
| General government buildings | 5,166 | 427,530 | 461,905 | - | (29,209) |
| Cemeteries | 7,762 | 41,450 | 35,997 | 6,200 | 7,015 |
| Insurance, not otherwise allocated | - | 381,555 | 371,105 | - | 10,450 |
| Other | - | 4,000 | 16,368 | - | (12,368) |
| Total general government | 92,973 | 3,515,005 | 3,777,775 | 25,700 | (195,497) |
| Public safety: | | | | | |
| Police | - | 3,915,040 | 3,802,473 | - | 112,567 |
| Fire | - | 4,218,620 | 4,141,861 | - | 76,759 |
| Emergency management | - | 4,590 | 569 | - | 4,021 |
| Other | 3,347 | 542,180 | 518,811 | - | 26,716 |
| Total public safety | 3,347 | 8,680,430 | 8,463,714 | - | 220,063 |
| Highways and streets: | | | | | |
| Highways and streets | 4,500 | 1,208,010 | 1,190,964 | - | 21,546 |
| Street lighting | - | 15,320 | 17,810 | - | (2,490) |
| Total highways and streets | 4,500 | 1,223,330 | 1,208,774 | - | 19,056 |
| Sanitation: | | | | | |
| Solid waste disposal | - | 1,391,010 | 1,335,449 | 10,000 | 45,561 |
| Health: | | | | | |
| Health agencies | - | 52,925 | 37,296 | - | 15,629 |
| Welfare: | | | | | |
| Administration and direct assistance | - | 45,540 | 48,222 | - | (2,682) |
| Culture and recreation: | | | | | |
| Parks and recreation | 18,745 | 286,840 | 295,010 | - | 10,575 |
| Library | - | 1,386,825 | 1,344,664 | 20,000 | 22,161 |
| Other | 12,964 | 142,660 | 134,558 | 2,310 | 18,756 |
| Total culture and recreation | 31,709 | 1,816,325 | 1,774,232 | 22,310 | 51,492 |
| Conservation | - | 14,660 | 3,272 | 7,500 | 3,888 |
| Debt service: | | | | | |
| Principal of long-term debt | - | 390,340 | 390,339 | - | 1 |
| Interest on long-term debt | - | 138,673 | 138,670 | - | 3 |
| Interest on tax anticipation notes | - | 500 | 4,555 | - | (4,055) |
| Total debt service | - | 529,513 | 533,564 | - | (4,051) |
| Capital outlay | 228,673 | 793,079 | 664,404 | 305,000 | 52,348 |
| Other financing uses: | | | | | |
| Transfers out | - | 75,000 | 75,000 | - | - |
| Total appropriations, expenditures, other financing uses, and encumbrances | \$ 361,202 | \$ 18,136,817 | \$ 17,921,702 | \$ 370,510 | \$ 205,807 |

See Independent Auditor's Report.

SCHEDULE 3
TOWN OF WINDHAM, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended December 31, 2022

| | | |
|--|----------------|----------------------------|
| Unassigned fund balance, beginning (Non-GAAP Budgetary Basis), as restated (see Note 19) | | \$ 855,955 |
| Changes: | | |
| Unassigned fund balance used to reduce 2022 tax rate | | (513,142) |
| 2022 Budget summary: | | |
| Revenue shortfall (Schedule 1) | \$ 488,794 | |
| Unexpended balance of appropriations (Schedule 2) | <u>205,807</u> | |
| 2022 Budget surplus | | 694,601 |
| Increase in restricted fund balance | | (1,364) |
| Decrease in abatement contingency | | <u>145,000</u> |
| Unassigned fund balance, ending (Non-GAAP Budgetary Basis) | | 1,181,050 |
| Reconciliation on Non-GAAP Budgetary Basis to GAAP Basis | | |
| To record deferred property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis | | (148,023) |
| Elimination of the allowance for uncollectible taxes | | <u>125,000</u> |
| Unassigned fund balance, ending, GAAP basis (Exhibit C-1) | | <u><u>\$ 1,158,027</u></u> |

SCHEDULE 4
TOWN OF WINDHAM, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2022

| | Special Revenue Funds | | | | | | |
|--|----------------------------|-------------------------|----------------------------------|--|------------------------------------|------------------|-----------------|
| | Public Safety Detail | Recreation Revolving | Land Purchase Conservation | Cable and Health Expendable Trust | Public Safety Impact Fees | Searles Fund | Fire Cistern |
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 38,010 | \$ 19,830 | \$ 1,134,574 | \$ 367,473 | \$ 384,483 | \$ 35,943 | \$ 2,021 |
| Investments | - | - | - | - | - | - | - |
| Interfund receivable | 18,094 | - | 144,685 | - | - | - | - |
| Total assets | <u>\$ 56,104</u> | <u>\$ 19,830</u> | <u>\$ 1,279,259</u> | <u>\$ 367,473</u> | <u>\$ 384,483</u> | <u>\$ 35,943</u> | <u>\$ 2,021</u> |
| LIABILITIES | | | | | | | |
| Interfund payable | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 14,385</u> | <u>\$ -</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Unavailable revenue - Grants | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - |
| Restricted | - | - | - | - | - | - | - |
| Committed | 56,104 | 19,830 | 1,279,259 | 57,641 | 384,483 | 21,558 | 2,021 |
| Assigned | - | - | - | 309,832 | - | - | - |
| Total fund balances | <u>56,104</u> | <u>19,830</u> | <u>1,279,259</u> | <u>367,473</u> | <u>384,483</u> | <u>21,558</u> | <u>2,021</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 56,104</u> | <u>\$ 19,830</u> | <u>\$ 1,279,259</u> | <u>\$ 367,473</u> | <u>\$ 384,483</u> | <u>\$ 35,943</u> | <u>\$ 2,021</u> |

| Special Revenue Funds | | | | | |
|-----------------------|------------------|-----------------------|---------------------|-------------------|---------------------|
| Forest Maintenance | MSDC Fund | Capital Project Funds | | | Total |
| | | Searles Building | ARPA Projects | Permanent Fund | |
| \$ 47,910 | \$ 98,189 | \$ 98,579 | \$ 1,223,727 | \$ 232,903 | \$ 3,683,642 |
| - | - | - | - | 300,638 | 300,638 |
| - | - | - | - | - | 162,779 |
| <u>\$ 47,910</u> | <u>\$ 98,189</u> | <u>\$ 98,579</u> | <u>\$ 1,223,727</u> | <u>\$ 533,541</u> | <u>\$ 4,147,059</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 14,385</u> |
| - | - | - | 1,223,727 | - | 1,223,727 |
| - | - | - | - | 453,501 | 453,501 |
| - | 98,189 | 98,579 | - | 80,040 | 276,808 |
| 47,910 | - | - | - | - | 1,868,806 |
| - | - | - | - | - | 309,832 |
| <u>47,910</u> | <u>98,189</u> | <u>98,579</u> | <u>-</u> | <u>533,541</u> | <u>2,908,947</u> |
| <u>\$ 47,910</u> | <u>\$ 98,189</u> | <u>\$ 98,579</u> | <u>\$ 1,223,727</u> | <u>\$ 533,541</u> | <u>\$ 4,147,059</u> |

See Independent Auditor's Report.

SCHEDULE 5
TOWN OF WINDHAM, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2022

| | Special Revenue Funds | | | | | | |
|--|----------------------------|-------------------------|----------------------------------|---|------------------------------------|-----------------|-----------------|
| | Public Safety Detail | Recreation Revolving | Land Purchase Conservation | Cable and Health Expendable Trusts | Public Safety Impact Fees | Searles Fund | Fire Cistern |
| REVENUES | | | | | | | |
| Taxes | \$ - | \$ - | \$ 71,942 | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | - | - | - | - | - | - | - |
| Charges for services | 146,732 | 73,648 | - | - | - | - | - |
| Miscellaneous | 54 | - | 3,644 | 25,678 | 42,789 | 34,986 | 2 |
| Total revenues | 146,786 | 73,648 | 75,586 | 25,678 | 42,789 | 34,986 | 2 |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| General government | - | - | - | 16,700 | - | 3,398 | - |
| Public safety | 179,978 | - | - | - | 33,303 | - | - |
| Culture and recreation | - | 68,026 | - | - | - | - | - |
| Conservation | - | - | 59,429 | - | - | - | - |
| Total expenditures | 179,978 | 68,026 | 59,429 | 16,700 | 33,303 | 3,398 | - |
| Excess (deficiency) of revenues over (under) expenditures | (33,192) | 5,622 | 16,157 | 8,978 | 9,486 | 31,588 | 2 |
| OTHER FINANCING USES | | | | | | | |
| Transfers out | - | - | (185,700) | - | - | (14,385) | - |
| Net change in fund balances | (33,192) | 5,622 | (169,543) | 8,978 | 9,486 | 17,203 | 2 |
| Fund balances, beginning | 89,296 | 14,208 | 1,448,802 | 358,495 | 374,997 | 4,355 | 2,019 |
| Fund balances, ending | \$ 56,104 | \$ 19,830 | \$ 1,279,259 | \$ 367,473 | \$ 384,483 | \$ 21,558 | \$ 2,021 |

| Special Revenue Funds | | | | | |
|-----------------------|--------------|-----------------------|------------------|-------------------|--------------|
| Forest Maintenance | MSDC Fund | Capital Project Funds | | | Total |
| | | Searles Building | ARPA Projects | Permanent Fund | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 71,942 |
| - | - | - | 286,139 | - | 286,139 |
| - | 49,529 | - | - | - | 269,909 |
| 50 | - | - | - | (4,470) | 102,733 |
| 50 | 49,529 | - | 286,139 | (4,470) | 730,723 |
| 3,045 | - | - | - | - | 23,143 |
| - | - | - | 286,139 | - | 499,420 |
| - | - | - | - | - | 68,026 |
| - | - | - | - | - | 59,429 |
| 3,045 | - | - | 286,139 | - | 650,018 |
| (2,995) | 49,529 | - | - | (4,470) | 80,705 |
| - | (68,340) | - | - | - | (268,425) |
| (2,995) | (18,811) | - | - | (4,470) | (187,720) |
| 50,905 | 117,000 | 98,579 | - | 538,011 | 3,096,667 |
| \$ 47,910 | \$ 98,189 | \$ 98,579 | \$ - | \$ 533,541 | \$ 2,908,947 |

See Independent Auditor's Report.

SCHEDULE 6
TOWN OF WINDHAM, NEW HAMPSHIRE
Custodial Funds
Combining Schedule of Fiduciary Net Position
December 31, 2022

| | Custodial Funds | | | | | | Total |
|------------------------------|-----------------|--------------------|--------------------|------------------|------------------------|------------|--------------|
| | Taxes | School Trust Funds | School Impact Fees | Subdivision Fees | Road Bonds and Escrows | State Fees | |
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ - | \$ 1,398,181 | \$ 81,889 | \$ 82,687 | \$ 429,321 | \$ - | \$ 1,992,078 |
| Intergovernmental receivable | 24,095,076 | - | - | - | - | - | 24,095,076 |
| Total assets | 24,095,076 | 1,398,181 | 81,889 | 82,687 | 429,321 | - | 26,087,154 |
| LIABILITIES | | | | | | | |
| Intergovernmental payables: | | | | | | | |
| School | 24,095,076 | - | - | - | - | - | 24,095,076 |
| NET POSITION | | | | | | | |
| Restricted | \$ - | \$ 1,398,181 | \$ 81,889 | \$ 82,687 | \$ 429,321 | \$ - | \$ 1,992,078 |

See Independent Auditor's Report.

SCHEDULE 7
TOWN OF WINDHAM, NEW HAMPSHIRE
Custodial Funds
Combining Schedule of Changes in Fiduciary Net Position
For the Fiscal Year Ended December 31, 2022

| | Custodial Funds | | | | | | Total |
|--|-----------------|--------------------|--------------------|------------------|------------------------|------------|--------------|
| | Taxes | School Trust Funds | School Impact Fees | Subdivision Fees | Road Bonds and Escrows | State Fees | |
| ADDITIONS | | | | | | | |
| Contributions | \$ - | \$ 550,000 | \$ 156,294 | \$ 17,782 | \$ 23,893 | \$ - | \$ 747,969 |
| Investment earnings | - | 6,538 | - | - | 452 | - | 6,990 |
| Tax collections for other governments | 51,415,660 | - | - | - | - | - | 51,415,660 |
| Motor vehicle permit fees | - | - | - | - | - | 1,158,817 | 1,158,817 |
| Total additions | 51,415,660 | 556,538 | 156,294 | 17,782 | 24,345 | 1,158,817 | 53,329,436 |
| DEDUCTIONS | | | | | | | |
| Payments of taxes to other governments | 51,415,660 | - | - | - | - | - | 51,415,660 |
| Payments to other governments | - | - | 210,347 | - | - | 1,158,817 | 1,369,164 |
| Payments for escrow purposes | - | - | - | 29,607 | 89,060 | - | 118,667 |
| Total deductions | 51,415,660 | - | 210,347 | 29,607 | 89,060 | 1,158,817 | 52,903,491 |
| Change in net position | - | 556,538 | (54,053) | (11,825) | (64,715) | - | 425,945 |
| Net position, beginning | - | 841,643 | 135,942 | 94,512 | 494,036 | - | 1,566,133 |
| Net position, ending | \$ - | \$ 1,398,181 | \$ 81,889 | \$ 82,687 | \$ 429,321 | \$ - | \$ 1,992,078 |

See Independent Auditor's Report.



PLODZIK & SANDERSON

Professional Association/Certified Public Accountants

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX- 603-224-1380

INDEPENDENT AUDITOR'S COMMUNICATION OF A SIGNIFICANT DEFICIENCY

To the Members of the Board of Selectmen
Town of Windham
Windham, New Hampshire

In planning and performing our audit of the basic financial statements of the Town of Windham as of and for the year ended December 31, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Windham's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Windham's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Windham's internal control.

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 or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

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 a 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.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following a deficiency in internal control to be a significant deficiency:

Stock Certificates

The Town Trustees of Trust Funds are holding physical stock certificates related to certain investments held in the permanent funds. At year-end, the fair market value of these securities was \$198,783. Physical certificates are at an increased risk of loss or theft as compared to securities that are held in book form. In addition, the related stock dividends are paid via check and must be deposited in the permanent fund investment accounts, which creates an additional concern that all dividends are being deposited and credited to the appropriate permanent fund accounts. We recommend that the Trustees of Trust Funds take the necessary steps to convert the stock certificates into book form and deposit them on account with the current permanent trust fund custodian.

In addition, we noted other matters involving internal control and its operation that we have reported to management of Town of Windham in a separate letter dated April 29, 2024.

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

April 29, 2024
Concord, New Hampshire

*Plodzik & Sanderson
Professional Association*