

**TOWN OF WINDHAM,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2012**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, major general fund, and the aggregate remaining fund information of the Town of Windham as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major general fund, and the aggregate remaining fund information of the Town of Windham as of December 31, 2012, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 3 through 12) and the Schedule of Funding Progress for Other Postemployment Benefit Plan (page 42) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers them 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

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comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual fund financial 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 financial schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

July 31, 2013

*Plodzik & Sanderson
Professional Association*

Town of Windham, New Hampshire Management's Discussion and Analysis

The following is a narrative overview and analysis of the financial activities of the Town of Windham (the Town) for the fiscal year ended December 31, 2012. We encourage readers to consider the information presented here in conjunction with the Town's financial statements, which follow this section.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Windham's basic financial statements. The basic financial statements of the Town of Windham are comprised of three components:

1. government-wide financial statements
2. fund financial statements
3. notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the finances of the Town of Windham. These statements (Statement of Net Position and Statement of Activities) provide both short-term and long-term information about the Town's overall financial position. They are prepared using the accrual basis of accounting, which recognizes all revenues and expenses connected with the fiscal year even if cash has not been received or paid.

The Statement of Net Position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. However, other non-financial factors, such as changes in the Town's property tax base, the Town's overall debt level and the condition of the Town's infrastructure and capital assets, will need to be considered to assess the overall financial health of the Town.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All of the Town's activities are categorized as Governmental Activities. The Town's basic services are reported here, including police, fire, general government, highway, sanitation, recreation and financial administration. Property taxes, state aid, motor vehicle fees, and charges for services finance these activities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Windham, like other state and

Town of Windham, New Hampshire **Management's Discussion and Analysis**

local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the Town can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds: *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements, and include most of the basic services provided by the Town. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year.

These funds are reported using the *modified accrual basis of accounting*, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps the users of the Town's financial reports to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* is described in a reconciliation presented at the bottom of the fund financial statements.

The Town of Windham maintains numerous individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be the Town's only major fund. Data from the other governmental funds are combined into a single, aggregate presentation.

The Town of Windham adopts an annual appropriated budget for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

Fiduciary Funds: *Fiduciary Funds* are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the programs of the Town of Windham. The Town's fiduciary funds consist of private-purpose trust funds and agency funds.

Notes to the Financial Statements

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

Required Supplementary Information

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Management's Discussion and Analysis

The basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes a schedule of funding progress for the Town's Other Postemployment Benefit Plan.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's net position totaled \$39.6 million at the end of 2012, which represents an increase of \$2.0 million, or 5.4%, as compared to the end of the previous year.

Statement of Net Position

The following is a summary of condensed government-wide financial data showing net position as of December 31, 2012 and December 31, 2011 (*as restated*):

	<u>2012</u>	<u>2011</u> <i>(as restated)</i>	<u>% Change</u>
Cash, receivables & other assets	\$19,562,876	\$18,838,964	3.8%
Capital assets, net	38,644,526	36,632,482	5.5
Total Assets	<u>58,207,402</u>	<u>55,471,446</u>	<u>4.9</u>
Accrued liabilities & payables	16,635,282	15,703,189	6.1
Bonds, leases & long-term liabilities	1,921,716	2,171,346	(11.5)
Total Liabilities	<u>18,556,998</u>	<u>17,874,535</u>	<u>4.0</u>
Net position:			
Net investment in capital assets	38,342,740	36,032,933	6.4
Restricted	358,957	346,153	3.7
Unrestricted	948,707	1,217,825	(22.1)
Total Net Position	<u>\$39,650,404</u>	<u>\$37,596,911</u>	<u>5.4%</u>

Total net position is presented in three categories: net investment in capital assets, restricted, and unrestricted. As discussed in Note 16 the beginning of year net position of \$37,596,911, reflects a restatement of the December 31, 2011 ending net position, representing a decrease of \$174,863 in total net assets, due to a restatement of liabilities.

The largest component of net position is the investment in capital assets (e.g. land, buildings, machinery and equipment). The figure presented (\$38.3 million) is net of any related debt incurred to acquire those assets, and represents 97% of total net position. These assets are utilized by the Town of Windham to provide services to its residents, therefore they are not available for future spending.

A certain portion (\$359 thousand or 1%) of the net position is restricted in regard to how it may be used. For the Town of Windham, those restrictions include those related to the use of police asset forfeiture funds and the balances of governmental funds that are restricted for other uses

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(refer to Note 15 for further details). The remaining portion (\$948 thousand or 2%) of the net position is unrestricted, and is analyzed later in this report.

Statement of Activities

The following is a summary of condensed government-wide financial data of changes in net assets for the years ending December 31, 2012 and December 31, 2011 (*as restated*):

	<u>2012</u>	<u>2011</u> <i>(as restated)</i>	<u>% Change</u>
Revenues			
Program Revenues:			
Charges for services	\$689,888	\$828,787	(16.8)%
Operating grants and contributions	551,511	642,438	(14.2)
Capital grants and contributions	2,627,938	1,443,166	82.1
Total program revenues	<u>3,869,337</u>	<u>2,914,391</u>	<u>32.8</u>
General Revenues:			
Property & other taxes	7,431,306	7,742,379	(4.4)
Licenses & permits	2,936,656	2,855,470	2.8
Grants & contributions	645,227	607,155	6.3
Other general revenues	945,475	1,014,853	(6.8)
Total general revenues	<u>11,958,664</u>	<u>12,219,857</u>	<u>(2.4)</u>
Total Revenues	<u>15,828,001</u>	<u>15,134,248</u>	<u>4.4</u>
Program Expenses:			
General government	3,051,741	3,227,091	(5.4)
Public safety	6,081,323	6,508,687	(6.6)
Highways and streets	1,906,695	2,134,353	(10.7)
Health and welfare	100,219	105,057	(4.6)
Sanitation	978,959	981,003	(0.2)
Culture, recreation and conservation	1,651,913	1,600,775	3.2
Interest and fiscal charges	3,658	1,584	131.3
Total Expenses	<u>13,774,508</u>	<u>14,558,550</u>	<u>(5.4)</u>
Increase (decrease) in net position	2,053,493	575,698	
Net Position, beginning of year, <i>restated</i>	<u>37,596,911</u>	<u>37,021,213</u>	
Net Position, end of year	<u>\$39,650,404</u>	<u>37,596,911</u>	<u>5.4%</u>

The Town's net position increased by \$2.0 million, or 5.4% during 2012, as compared to \$575 thousand, or 1.6% in the previous year. The primary funding source for governmental activities are taxes and permits, which combined account for 65% of all revenues. Total 2012 revenues of \$15.8 million were greater than 2012 expenses of \$13.8 million, representing an increase in net assets of \$2 million. Revenue in 2012 was greater than 2011 revenue by \$694 thousand, or 4.4%. This increase was primarily due to higher capital grants and contributions in 2012, as a result of the acceptance of more new town roads in 2012 than 2011, all of which are accounted for as donated contributions and vary from year to year. This was offset by a \$139 thousand decrease in charges for services and a \$311 thousand decrease in property and other tax revenues in 2012, due to fluctuations in departmental activity and additional commercial property tax abatements that were resolved and refunded in 2012.

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Total expenses during 2012 of \$13.8 million were slightly lower than 2011 expenses of \$14.6 million by \$784 thousand, or (5.4)%. The largest decrease was in the highways and streets category, down 10.7% due to lower winter maintenance expenses and capital road improvement projects completed during the year, which reduce the amount reported as current year expense, as those projects become reclassified as capital assets. In addition, savings in employee payroll and benefit costs were realized in several governmental departments due to employee vacancies during 2012.

Financial Analysis of Town of Windham Funds

Governmental Funds. At the end of 2012 and 2011 as restated, the combined fund balances (deficit) for all governmental funds were as follows:

	<u>2012</u>	<u>2011</u>
General Fund	\$(967,859)	\$(921,474)
Other Governmental Funds	1,675,781	1,830,186
Total Governmental Fund Balance	\$707,922	\$908,712

As discussed in Note 1, the Town of Windham has a Fund Balance policy in accordance with the provisions of GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes the classifications used in the Town's governmental fund financial statements. In total, when comparing December 31, 2012 to December 31, 2011, the total fund balance on the Governmental Funds Balance Sheet as of December 31, 2012 was \$708 thousand, as compared to \$909 thousand as of December 31, 2011, representing a decrease of \$201 thousand, or 22%. This overall decrease reflects the Town of Windham's continued use of general fund unassigned fund balance to reduce the amount of property taxes raised, offset by increases in other governmental fund balances as a result of normal account activity.

The fund balance reflected above for the general fund does not include the property tax revenue accounted for as deferred revenue on the balance sheet. This amount is impacted by the timing of the issuance of the December tax bills, as the balance in uncollected taxes at the end of each year flows through this portion of the fund balance, thus causing fluctuation from year to year and the deficit shown in the general fund portion. The change in fund balance of the general fund during 2012 is analyzed from a budgetary standpoint later in this report.

The fund balance in the other governmental funds category includes many of the Town's special revenue funds, and is detailed in Exhibit C-1. The fund balances in all other governmental funds of \$1.7 million decreased by approximately \$154 thousand as compared to the 2011 balance. These other governmental funds are restricted for the purposes originally established at the time of appropriation. One of the largest single funds is the Conservation Land Trust, which had a fund balance of \$549 thousand as of December 31, 2012, a decrease of \$96 thousand from the 2011 balance. The decrease in this fund is a result of a land purchase for \$150 thousand, offset by current use penalty taxes collected totaling \$65 thousand during 2012. The most significant

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activity within the other individual funds was a decrease of \$51 thousand in the Health Expendable Trust Fund as a result of payments towards health insurance premiums during 2012.

In regards to the general fund, the Board of Selectmen have formalized a policy that calls for the unassigned fund balance (budgetary basis) to be maintained at \$300,000. This level represents less than 1% of the combined town, school and county revenues committed in 2012. The remainder of the unassigned fund balance in the General Fund is used to reduce the current year tax rate. The level of unassigned fund balance available to reduce the current year tax rate is summarized in the following table:

	<u>2012</u>	<u>2011</u> <i>(as restated)</i>
Total fund balance – budgetary basis	\$1,051,037	\$1,036,726
Portion designated as nonspendable	(21,090)	(37,682)
Portion designated as committed	(173,536)	(116,606)
Portion designated as assigned	<u>(120,000)</u>	<u>(16,309)</u>
Available for tax rate setting (Unassigned)	\$736,411	\$866,129

The amount of the December 31, 2011 fund balance used to reduce the 2012 tax rate was \$602 thousand, as compared to \$434 thousand used for the 2011 tax rate. After this reduction, the net unassigned fund balance as of December 31, 2012 grew to \$736 thousand due to a favorable variance in fiscal 2012 budgeted expenditures and unanticipated revenues, which will be discussed later in this report.

General Fund Budgetary Highlights

As shown in the chart below, the Town of Windham stayed within its authorized General Fund budget. The final budget for revenues and other financing sources, totaling \$12.7 million, was slightly higher than the original budget of \$12.5 million as approved by the State Department of Revenue Administration, by a difference of \$157 thousand. The budgeted revenues are adjusted for 2011 carryforwards, as well as the amount of unanticipated revenues relating to grants and donations accepted by the Board of Selectmen at public hearings throughout the year. Revenues reflected in the chart below are shown net of \$602 thousand, which was added to total revenues for tax rate setting purposes, through utilization of 2011 ending fund balance.

The final budget for expenditures and operating transfers out, totaling \$12.8 million, was higher than the original budget approved by the State Department of Revenue Administration (as adjusted for 2011 carryforwards) of \$12.7 million, by the same difference of \$157 thousand, reflecting carryovers from 2011. In addition, similar to the revenue discussed above, the final expenditure budget reflects appropriations relating to grants and donations accepted by the Board of Selectmen at public hearings throughout the year.

In comparing budget to actual amounts (inclusive of amounts encumbered to the subsequent year), the total revenues and transfers in were higher than those budgeted, while total expenditures were lower than those budgeted, resulting in a positive combined budgetary variance of \$592 thousand.

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	Final Budget	Actual <i>(Budgetary Basis)</i>	Variance
Revenues	\$12,063,128	\$12,255,577	\$192,449
Bond Proceeds	0	0	-
Transfers In	1,000	1,352	352
Expenditures	(12,678,049)	(12,278,540)	399,509
Transfers Out	(121,305)	(121,305)	-
Net	\$(735,226)	\$142,916	\$592,310

Actual revenues and transfers in were higher than the final budgeted amounts by a combined \$192 thousand. This was primarily due to various differences in actual amounts collected by the Town's departments, including interest and penalties on taxes, motor vehicle registrations and ambulance fees through the end of fiscal 2012, as compared to budgeted amounts set in the fall of 2012. These budgeted amounts were set based on both previous calendar year trends as well as preliminary collections to date through September, and the Town normally takes a conservative approach to projecting revenues for the remainder of the year.

Actual expenditures were less than the final budget by \$399 thousand, and the majority of the savings was in the general government, highways and streets and public safety categories. The largest component of the overall budgetary savings was in the highway budget (\$147 thousand), primarily in the winter maintenance portion of the highway budget, as a reflection of the unusually mild 2011-2012 winter season. In addition, throughout several budgets, savings on employee salary and benefit expenditures were recognized as a result of several unforeseen staffing vacancies during 2012. Lastly, the Town received a premium holiday from its workers compensation insurance program, as reflected in the general government savings.

Revenues and other sources used to support the General Fund operations for the year ended December 31, 2012 totaled \$12.3 million, as compared to \$12.9 million for the previous year, or a decrease of 4.8%. This was primarily due to fluctuations in taxes, which represent 60% and 59% of the funding sources in 2012 and in 2011, respectively. The variance in property taxes from year to year is impacted by the level of abatements granted, which continued to escalate in 2012 as the Town worked through sizable commercial property tax abatement requests. This was partially offset by higher interest collected on delinquent taxes, which continued to grow in 2012, all of which reflects a continued slowing trend in the payment of property taxes. The following comparison shows the breakdown of revenues by category and percentage change over the previous year:

<u>Revenues:</u>	<u>2012</u>	<u>2011</u>	<u>% Change</u>
Taxes	\$7,366,394	\$7,583,201	(2.9)%
Licenses and Permits	2,936,656	2,855,470	2.8
Intergovernmental	1,196,738	1,068,318	12.0
Charges for Services	372,458	426,928	(12.8)
Interest Income	6,159	18,683	(67.0)
Miscellaneous	377,172	421,172	(10.4)
	12,255,577	12,373,772	(1.0)

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Bond Proceeds	0	391,135	(100.0)
Operating transfers in	1,352	103,265	(98.7)
Total	<u>\$12,256,929</u>	<u>\$12,868,172</u>	(4.8)%

The most significant fluctuation in revenues over the previous year, other than those previously discussed, represents the use of special funds to support Town warrant articles, which vary from year to year. In 2011, \$102,357 of capital reserve and other funds and \$391,135 of bond funds were utilized towards the purchase of a fire engine, while no such funds were utilized in 2012.

Expenditures (including principal and interest payments on debt) and other uses totaled \$12.4 million for the year ended December 31, 2012, as compared to \$12.7 million for the previous year, or a decrease of 2.4%. Public safety represented the highest category of spending at 46% of the total spending for General Fund activities in 2012, as compared to 45% in 2011. The following comparison shows the breakdown of expenditures by category and percentage change over the previous year (inclusive of amounts encumbered to the subsequent year):

<u>Expenditures:</u>	<u>2012</u>	<u>2011</u>	<u>% Change</u>
General Government	\$2,499,943	\$2,514,763	(0.6)%
Public Safety	5,706,067	5,675,390	0.5
Highways and Streets	1,004,133	1,164,706	(13.8)
Health and welfare	100,219	105,057	(4.6)
Sanitation	910,869	907,097	0.4
Culture and Recreation	1,144,763	1,103,166	3.8
Capital outlay	711,299	1,124,080	(36.7)
Debt Service	201,247	-	100.0
	<u>12,278,540</u>	<u>12,594,259</u>	(2.5)
Operating transfers out	121,305	115,503	5.0
Total	<u>\$12,399,845</u>	<u>\$12,709,762</u>	(2.4)%

The most significant decrease in expenditures over the previous year was in the capital outlay and highways and streets budgets. Capital outlay (inclusive of debt service) expenditures decreased \$212 thousand, or 19%, due to the purchase of a fire engine in 2011 which did not repeat in 2012. In 2012, the Town primarily expended capital funds on the purchase of two highway dump trucks (partially funded through grants), as well as paving projects. As previously noted, highway and street expenses were down 13.8% due to lower winter maintenance costs.

Capital and Debt Administration

The Town of Windham considers a capital asset to be land, buildings, equipment or infrastructure (roadways and bridges) whose cost exceeds \$5,000 and has a useful life of greater than one (1) year. Capital assets are depreciated using the straight-line method over the course of their useful lives. The Town's investment in capital assets as of December 31, 2012 amounted to \$38.6 million, net of accumulated depreciation, representing an increase of \$2 million over the previous year balance of \$36.6 million. The following summary shows a yearly comparison of

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net capital assets by category (see Note 8 in the Notes to the Basic Financial Statements for more detailed information):

	<u>2012</u>	<u>2011</u>
Infrastructure	\$18,179,034	\$16,757,818
Land and land improvements	12,704,182	11,840,673
Buildings and improvements	5,496,289	5,726,784
Vehicles and equipment	2,265,021	2,146,843
Construction in progress	0	160,364
Total capital assets, net	<u>\$38,644,526</u>	<u>\$36,632,482</u>

Infrastructure relates to the Town's roadways and bridges, and additions are recorded each year based on the cost of road improvements, as well as the value of completed subdivision roads accepted by the Town each year, offset by regular depreciation of existing infrastructure. Highlights of the other major capitalized assets recorded in 2012 include:

- The Town acquired land with a total book value of \$756,000 during 2012, consisting of land donated for Conservation and Recreation purposes, as well as the Conservation Commission's purchase of the Moeckel Pond property.
- The completion of the Griffin Park parking lot paving improvements, as reflected in the Land Improvements category above (a portion was reflected as construction in progress as of December 31, 2011). The total cost of the project was \$222,000.
- The completion of the purchase of two 2013 International Dump Trucks for the Highway department, funded through Town appropriations approved in 2011 and 2012, with 80% of the cost offset by State and Federal grant funds.

Long-term Debt. At December 31, 2012, the Town of Windham had total outstanding bonded debt of \$207 thousand, as compared to \$414 thousand as of December 31, 2011. During the course of the year, a reduction in bonds of \$207 thousand was due to payments made on the fire engine bond issued in 2011, as well as the existing Searles bond, which is fully funded out of the Searles Special Revenue Fund. The fire engine bond is funded through the Town's general fund operating budget. Final payment on both bonds is scheduled for 2013.

During 2012, the Town of Windham continued its leasing program by entering into an additional three-year capital lease for the purpose of funding the purchase of a replacement vehicle for the police department. The total amount of new financing was \$23 thousand, while \$95 thousand remains due on all capital leases as of December 31, 2012. See Note 12 in the Notes to the Basic Financial Statements for a summary of all outstanding long-term obligations.

Economic Factors

- The total assessed value on which the tax rate was computed for the 2012 fiscal year increased 0.8% over the previous year (to \$2,042,007,370 in 2012 from \$2,025,025,370 in 2011) as the Town is continuing to experience some new building development.

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- The total property taxes that were uncollected as of year-end, including liens and tax deeded property, amounted to \$3.0 million as of December 31, 2012, which is consistent with the total as of the prior year-end. Current year uncollected as a percentage of the total tax levy was 4.3% as of December 31, 2012, as compared to 4.5% in the prior year.

Several factors were taken into consideration as Town officials developed the budget for the 2012 fiscal year. Those factors include overall property tax burden from both a town and school district perspective, continuously increasing demands on municipal services and service levels, and compliance with statutory and other legal requirements. The most significant factors affecting local budgets continue to be the rising cost of employee healthcare and retirement benefits, as well as the need to maintain our existing infrastructure.

Requests for Information

This financial report is designed to provide a general overview of the finances of the Town of Windham for all those interested in its finances. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to the Assistant Town Administrator-Finance, P.O. Box 120, 4 North Lowell Rd, Windham, New Hampshire 03087.

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF WINDHAM, NEW HAMPSHIRE
Statement of Net Position
December 31, 2012

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 15,899,606
Investments	62,257
Receivables, net of allowances for uncollectible	3,092,905
Intergovernmental	156,429
Prepaid items	9,002
Tax deeded property, subject to resale	12,088
Capital assets, not being depreciated:	
Land	12,188,442
Capital assets, net of accumulated depreciation:	
Infrastructure	18,179,034
Land improvements	515,740
Buildings and improvements	5,496,289
Vehicles and equipment	2,265,021
Restricted assets - Developer deposits	330,589
Total assets	58,207,402
LIABILITIES	
Accounts payable	298,005
Accrued salaries and benefits	99,450
Accrued interest payable	1,879
Intergovernmental payable	15,909,767
Other	326,181
Noncurrent liabilities:	
Due within one year:	
Bonds	207,167
Capital leases	86,901
Compensated absences	57,770
Due in more than one year:	
Capital leases	7,718
Compensated absences	1,096,001
Other postemployment benefits	466,159
Total liabilities	18,556,998
NET POSITION	
Net investment in capital assets	38,342,740
Restricted for:	
Trust purposes	351,124
Police forfeitures	7,833
Unrestricted	948,707
Total net position	\$ 39,650,404

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, 2012

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 3,051,741	\$ 3,867	\$ -	\$ -	\$ (3,047,874)
Public safety	6,081,323	462,369	25,330	-	(5,593,624)
Highways and streets	1,906,695	-	526,181	2,021,938	641,424
Sanitation	978,959	83,866	-	-	(895,093)
Health	53,138	-	-	-	(53,138)
Welfare	47,081	-	-	-	(47,081)
Culture and recreation	1,637,716	139,786	-	200,000	(1,297,930)
Conservation	14,197	-	-	406,000	391,803
Interest on long-term debt	3,658	-	-	-	(3,658)
Total governmental activities	<u>\$ 13,774,508</u>	<u>\$ 689,888</u>	<u>\$ 551,511</u>	<u>\$ 2,627,938</u>	<u>(9,905,171)</u>
General revenues:					
Taxes:					
Property					7,099,862
Other					331,444
Motor vehicle permit fees					2,727,012
Licenses and other fees					209,644
Grants and contributions not restricted to specific programs					645,227
Miscellaneous					945,475
Total general revenues					<u>11,958,664</u>
Change in net position					2,053,493
Net position, beginning, as restated (see Note 16)					37,596,911
Net position, ending					<u>\$ 39,650,404</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, 2012

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 14,332,042	\$ 1,567,564	\$ 15,899,606
Investments	-	62,257	62,257
Receivables, net of allowance for uncollectible:			
Taxes	2,915,902	-	2,915,902
Accounts	125,513	51,490	177,003
Intergovernmental	156,429	-	156,429
Interfund receivable	9,804	28,121	37,925
Prepaid items	9,002	-	9,002
Tax dedeed property, subject to resale	12,088	-	12,088
Restricted - Cash and cash equivalents	330,589	-	330,589
Total assets	<u>\$ 17,891,369</u>	<u>\$ 1,709,432</u>	<u>\$ 19,600,801</u>
LIABILITIES			
Accounts payable	\$ 274,158	\$ 23,847	\$ 298,005
Accrued salaries and benefits	99,450	-	99,450
Intergovernmental payable	15,909,767	-	15,909,767
Interfund payable	28,121	9,804	37,925
Escrow and performance deposits	326,181	-	326,181
Total liabilities	<u>16,637,677</u>	<u>33,651</u>	<u>16,671,328</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - Property taxes	<u>2,221,551</u>	<u>-</u>	<u>2,221,551</u>
FUND BALANCES (DEFICITS)			
Nonspendable:			
Permanent fund (principal balance)	-	292,107	292,107
Prepaid items	9,002	-	9,002
Tax dedeed property for resale	12,088	-	12,088
Restricted:			
Permanent fund (income balance)	-	59,017	59,017
Library purposes	59,590	-	59,590
Public safety	-	7,833	7,833
Committed:			
Expendable trust funds	230,219	-	230,219
General government	-	281,224	281,224
Public safety	-	182,185	182,185
Culture and recreation	-	34,159	34,159
Conservation	-	549,119	549,119
Assigned:			
Encumbrances	173,536	-	173,536
Abatements	120,000	-	120,000
Public safety	12,297	-	12,297
Culture and recreation	-	270,137	270,137
Unassigned	<u>(1,584,591)</u>	<u>-</u>	<u>(1,584,591)</u>
Total fund balances (deficit)	<u>(967,859)</u>	<u>1,675,781</u>	<u>707,922</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 17,891,369</u>	<u>\$ 1,709,432</u>	<u>\$ 19,600,801</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 Total Governmental Fund Balances to the Statement of Net Position
December 31, 2012

Amounts reported for governmental activities in the Statement of Net Position are different because:		
Total fund balances of governmental funds (Exhibit C-1)		\$ 707,922
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.		
Cost	\$ 70,034,488	
Less accumulated depreciation	<u>(31,389,962)</u>	
		38,644,526
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (37,925)	
Payables	<u>37,925</u>	
		-
Long term revenue (taxes) is not available to pay for current period expenditures and, therefore, is deferred in the governmental funds		2,221,551
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(1,879)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.		
Bonds	\$ 207,167	
Capital leases	94,619	
Compensated absences	1,153,771	
Other postemployment benefits	<u>466,159</u>	
		<u>(1,921,716)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ 39,650,404</u></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, 2012

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$7,376,714	\$ 64,912	\$ 7,441,626
Licenses and permits	2,936,656	-	2,936,656
Intergovernmental	1,196,738	-	1,196,738
Charges for services	372,458	317,430	689,888
Miscellaneous	406,781	538,694	945,475
Total revenues	<u>12,289,347</u>	<u>921,036</u>	<u>13,210,383</u>
EXPENDITURES			
Current:			
General government	2,502,915	510,804	3,013,719
Public safety	5,715,535	230,543	5,946,078
Highways and streets	923,793	-	923,793
Sanitation	912,867	-	912,867
Health	53,138	-	53,138
Welfare	47,081	-	47,081
Culture and recreation	1,290,016	158,345	1,448,361
Conservation	-	14,197	14,197
Debt service:			
Principal	195,568	11,200	206,768
Interest	5,679	912	6,591
Capital outlay	711,299	150,437	861,736
Total expenditures	<u>12,357,891</u>	<u>1,076,438</u>	<u>13,434,329</u>
Deficiency of revenues under expenditures	<u>(68,544)</u>	<u>(155,402)</u>	<u>(223,946)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,353	2,350	3,703
Transfers out	(2,350)	(1,353)	(3,703)
Inception of capital lease	23,156	-	23,156
Total other financing sources and uses	<u>22,159</u>	<u>997</u>	<u>23,156</u>
Net change in fund balances	(46,385)	(154,405)	(200,790)
Fund balances (deficit), beginning	(921,474)	1,830,186	908,712
Fund balances (deficit), ending	<u>\$ (967,859)</u>	<u>\$ 1,675,781</u>	<u>\$ 707,922</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 of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2012

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

Net change in fund balances of governmental funds (Exhibit C-3) \$ (200,790)

Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.

Capitalized capital outlay	\$ 3,890,194	
Depreciation expense	<u>(1,878,150)</u>	
		2,012,044

Transfers in and out between governmental funds are eliminated on the Statement of Activities.

Transfers in	\$ (3,703)	
Transfers out	<u>3,703</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		(10,320)
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The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net position.

Proceeds of capital leases	\$ (23,156)	
Repayment of bond principal	206,768	
Repayment of capital lease principal	<u>114,151</u>	
		297,763

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	\$ 2,929	
Increase in compensated absences payable	(9,355)	
Increase in postemployment benefits payable	<u>(38,778)</u>	
		<u>(45,204)</u>

Changes in net position of governmental activities (Exhibit B)		<u><u>\$ 2,053,493</u></u>
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EXHIBIT D
TOWN OF WINDHAM, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Change in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES				
Taxes	\$ 7,307,816	\$ 7,307,816	\$ 7,366,394	\$ 58,578
Licenses and permits	2,897,800	2,897,800	2,936,656	38,856
Intergovernmental	1,046,689	1,203,550	1,196,738	(6,812)
Charges for services	320,361	320,361	372,458	52,097
Miscellaneous	333,601	333,601	383,331	49,730
Total revenues	<u>11,906,267</u>	<u>12,063,128</u>	<u>12,255,577</u>	<u>192,449</u>
EXPENDITURES				
Current:				
General government	2,602,320	2,602,320	2,492,803	109,517
Public safety	5,762,530	5,762,530	5,704,089	58,441
Highways and streets	1,144,600	1,144,600	996,942	147,658
Sanitation	910,485	910,485	910,869	(384)
Health	56,720	56,720	53,138	3,582
Welfare	57,040	57,040	47,081	9,959
Culture and recreation	1,157,800	1,157,800	1,144,763	13,037
Debt service:				
Principal	195,567	195,567	195,568	(1)
Interest	6,211	6,211	5,679	532
Capital outlay	495,000	651,861	594,693	57,168
Total expenditures	<u>12,388,273</u>	<u>12,545,134</u>	<u>12,145,625</u>	<u>399,509</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(482,006)</u>	<u>(482,006)</u>	<u>109,952</u>	<u>591,958</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,000	1,000	1,352	352
Transfers out	(121,305)	(121,305)	(121,305)	-
Total other financing sources and uses	<u>(120,305)</u>	<u>(120,305)</u>	<u>(119,953)</u>	<u>352</u>
Net change in fund balances	<u>\$ (602,311)</u>	<u>\$ (602,311)</u>	<u>(10,001)</u>	<u>\$ 592,310</u>
Decrease in nonspendable fund balance			16,592	
Increase in assigned fund balance (non-encumbrance)			(136,309)	
Unassigned fund balance, beginning			866,129	
Unassigned fund balance, ending			<u>\$ 736,411</u>	

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 Net Position
December 31, 2012

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and cash equivalents	\$ 28,009	\$ 485,714
LIABILITIES		
Due to other governmental units	-	229,607
Due to others	-	256,107
Total liabilities	-	485,714
NET POSITION		
Held in trust for special purposes	\$ 28,009	\$ -

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 Net Position
For the Fiscal Year Ended December 31, 2012

	Private Purpose Trust Fund
ADDITIONS	
Investment earnings:	
Interest and dividends	\$ 12
DEDUCTIONS	
Trust income distributions	(5)
Change in net position	7
Net position, beginning	28,002
Net position, ending	\$ 28,009

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
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2012

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TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2012

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TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town of Windham, New Hampshire (the Town), are presented in conformity with accounting principles generally accepted in the United States of America 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. The reporting entity is comprised of the primary government and any other organizations (*component units*) that are included to ensure that the financial statements are not misleading.

Component units are legally separate organizations for which the Town is financially accountable. The Town is financially accountable for an organization if the Town appoints a voting majority of the organization's governing board, and (1) the Town is able to significantly influence the programs or services performed or provided by the organizations; or (2) the Town is legally entitled to or can otherwise access the organization's resources; (3) the Town is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Town is obligated for the debt of the organization. Based on the foregoing criteria, no other organizations are included in the Town's financial reporting entity.

1-B Basis of Presentation

Government-wide Financial Statements – The government-wide financial statements display information about the Town as a whole. These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. The effect of interfund activity has been eliminated from these statements.

The Statement of Net Position presents the financial position of the governmental activities of the Town at year-end. This statement includes all of the Town's assets, liabilities, and net position. Net position is reported as one of three categories: net investment in capital assets; restricted; or unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different functions of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function, and therefore, are clearly identifiable to a particular function. Program revenues include (1) charges to customers or applicants for goods received, services rendered or privileges provided, and (2) grants and contributions that are restricted to meeting operational requirements of a particular function. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements – The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Financial statements of the Town are organized into funds, each of which is considered to be a separate accounting entity. Each fund has a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized as major funds or nonmajor funds within the governmental and statements, with an emphasis placed on the major funds within the governmental categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- (a) Total assets, liabilities, revenues or expenditures of that individual governmental fund are at least 10% of the corresponding total for all funds of that category or type;
- (b) Total assets, liabilities, revenues or expenditures of the individual governmental fund are at least 5% of the corresponding total for all governmental funds combined; and
- (c) In addition, any other governmental fund that the Town believes is particularly important to the financial statement users may be reported as a major fund.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2012

Governmental Activities – Governmental funds are identified as general, special revenue, and permanent funds, based upon the following guidelines:

General Fund – is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purpose other than capital projects.

Permanent Funds – are used to account for resources legally held in trust. All resources of the fund, including earnings on invested resources, may be used to support the Town.

Fiduciary Fund Types – These funds account for assets held by the Town as a trustee or agent for individuals, private organizations, and other units of governments. Fiduciary fund types are not part of the reporting entity in the government-wide financial statements, but are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. These funds are as follows:

Private Purpose Trust Funds – are used to account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

Agency Funds – are used to account for resources held by the Town in a purely custodial capacity, for individuals, private organizations, and/or governmental units.

Major Fund – The Town reports the following major governmental fund:

General Fund – all general revenues and other receipts that are not allocated by law or contracted agreement to another fund are accounted for in this fund. This fund accounts for general operating expenditures, fixed charges, and the capital improvement costs that are not reported in other funds.

Nonmajor Funds – The Town also reports nine nonmajor governmental funds.

Fiduciary Funds - The Town reports the following fiduciary funds:

Private Purpose Trust Funds – the Town maintains six private purpose trust funds which account for monies designated to benefit individuals within the Town.

Agency Funds:

Windham School District Expendable Trust Fund – accounts for legally established funds to be used by the school district for future costs.

Cobbett's Pond Village District Trust Fund – accounts for legally established funds to be used by the Village District for future costs

School Impact Fee and Subdivision Fee Funds – account for funds collected from developers and held for infrastructure improvements.

1-C Measurement Focus

Government-wide and Fiduciary Fund Financial Statements – The government-wide, and fiduciary fund financial statements, except for agency funds which have no measurement focus, are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The proprietary, other postemployment benefit trust and private-purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2012

Governmental Fund Financial Statements – 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 susceptible to accrual, that is, when they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues (except property taxes mentioned below under Revenues-Nonexchange Transactions) to be available if they are collected within 60 days of the end of the current period. Property taxes, grants and contracts, and interest associated with the current period are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Town. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Revenues – Exchange Transactions – Revenue resulting from exchange transactions in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On the modified accrual basis revenue is recorded when the exchange takes place in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Town, available means expected to be received within 60 days of year-end.

Revenues – Nonexchange Transactions – Nonexchange transactions in which the Town receives value without directly giving equal value in return include property taxes, certain fees, grants, and donations. Revenue from grants and donations is recognized in the fiscal year in which all grantor imposed eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions also must be available before it can be recognized (Interpretation No. 1, as modified, 60-day rule).

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: property taxes and interest on investments. Licenses and permits, charges for services, and miscellaneous revenues (except interest on investments) are recorded as revenues when received in cash because they are generally not measurable until actually received.

1-D 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, certificates of 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 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 of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

1-E Restricted Assets

Cash received for developers performance bond deposits are classified as restricted assets on the balance sheet because their use is designated for a specific purpose and therefore not available for immediate and general use by the Town.

1-F 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,

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2012

- 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.

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.

Investments for the Town are reported at fair value generally based on quoted market prices.

1-G 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, intergovernmental, accounts receivable.

1-H Interfund Balances

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as “interfund receivables and payables.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

1-I Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

1-J Capital Assets

Capital assets, which include property, plant and equipment and infrastructure are reported in the applicable governmental column in the government-wide financial statements. Infrastructure has not been capitalized as the Town has not determined the historical cost for the initial reporting of these assets and does not maintain adequate records to capture annual capital outlay for infrastructure.

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated minimum useful life in excess of one year. As the Town constructs or acquires additional capital assets each year, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, and equipment of the Town are depreciated using the straight line method over the following estimated useful lives:

	Years
Capital Asset Classes:	
Infrastructure	20-50
Land improvements	12-15
Buildings and improvements	15-40
Vehicles and equipment	5-20

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1-K Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, this item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

1-L Net Position Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as *restricted net position* and *unrestricted net position* in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider *restricted net position* to have been depleted before *unrestricted net position* is applied.

1-M Fund Balance Flow Assumptions

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

1-N Revenues and Expenditures/Expenses

General Revenues - General revenues represent the following; tax revenue recorded when a warrant for collection is committed to the tax collector, motor vehicle fees, licenses, fees, unrestricted grants, investment income and other miscellaneous items recorded when collected/received.

Program Revenues - Amounts recorded as program revenues include; charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a function or segment, and grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment.

Property Taxes - Property tax billings occur semiannually and are based on the assessed inventory values as of April 1 of each year. Billings for the year were on May 21, 2012 and November 16, 2012. Interest accrues at a rate of 12% on bills outstanding after the due date and 18% on tax liens outstanding.

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, Moeckel Pond Village District, and Rockingham County, which are remitted to these entities as required by law.

The Town's net assessed valuation as of April 1, 2012 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 2,026,589,370
For all other taxes	\$ 2,042,007,370

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The tax rates and amounts assessed for the year ended December 31, 2012 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$3.64	\$ 7,439,840
School portion:		
State of New Hampshire	\$2.46	4,979,627
Local	\$15.88	32,417,117
County portion	\$1.07	2,193,758
Precinct portions:		
Breezy Gale	\$1.08	14,012
Moeckel Pond Village	\$0.41	2,150
Total		\$ 47,046,504

1-O Deferred/Unearned Revenue

In the government-wide financial statements, deferred revenue is recognized when cash, receivables, or other assets are recorded prior to their being earned. In the governmental fund financial statements deferred revenue represents monies received or revenues accrued which have not been earned or do not meet the “available” criterion for revenue recognition under the modified accrual basis of accounting. On the government-wide Statement of Net Position, deferred revenue is classified as unearned revenue.

1-P Compensated Absences

Full time employees can accumulate earned time (combined vacation, sick leave and personal time) based on years of service but must use a minimum number of days per year. Provision is made in the annual budget for earned time. Pursuant to Town personnel policy and collective bargaining agreements, employees may accumulate (subject to certain limitations) unused earned time and, upon retirement, resignation, or death will be compensated for such amounts at current rates of pay.

The liability for such earned time is reported as incurred in the government-wide and financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

1-Q Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the government-wide financial statements. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premiums and discounts. Bond issuance costs may be reported separately and amortized over the term of the related debt.

In the governmental fund financial statements, bond premiums, discounts, and issuance costs are recognized during the current period. The face amount of debt issued and any premiums received are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

1-R Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. Claims and judgments are recorded in the government-wide financial statements as expense when the related liabilities are incurred. There were no significant claims or judgments at year-end.

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1-S 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” (i.e. the current portion of interfund loans). All other outstanding balances between funds are reported 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-T Equity/Fund Balance Policy/Classifications

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

- a) ***Net investment in capital assets*** – Consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, notes, or other borrowings 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.
- b) ***Restricted net position*** – Consists of net assets with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) ***Unrestricted net position*** – All other net assets that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Balance Policy/Classifications - In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific programs. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The classifications used in the Town’s governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form; or (b) are legally or contractually required to be maintained intact. The Town has classified prepaid items, tax deeded property subject to resale, and the principal portion of permanent funds as being nonspendable.

Restricted – This classification includes 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. The Town has classified its library and the income portion of permanent funds as being restricted, as well as certain donations received from third parties for specific purposes because their use is restricted by Federal/State statutes for expenditures.

Committed – This classification includes 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. Expendable trust and all special revenue funds other than those which are assigned, are included in this classification.

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Assigned – This classification includes 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. The Town also has assigned funds consisting of encumbrances in the general fund, reserve for abatements, donated funds, and expendable trust funds.

Unassigned – This classification includes the residual fund balance for the general fund.

The Town’s fund balance policy requires the maintenance of a minimum level of unassigned fund balance at \$300,000 annually.

1-U Impact of Recently Issued Accounting Principles

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASBS No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The Statement of Net Position is renamed the Statement of Net Position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.

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 general and nonmajor Searles and land purchase conservation funds. 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. In accordance with Town policy, only \$300,000 of unassigned fund balance is retained, the balance is applied to the budget. In the fiscal year 2012, \$602,311 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

The Town employs certain accounting principles for budgetary reporting purposes that differ from a GAAP basis. The Statement of Revenues and Expenditures-Budgetary Basis, presents the actual results to provide a comparison with the budget. The major difference between the budgetary basis and GAAP basis is as follows:

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities, but represent budgetary accounting controls. Governmental fund budgets are maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and commitments (encumbrances) for goods or services not received at year end. Encumbrances are recorded to reserve a portion of fund balance in the governmental fund types for commitments for which no liability exists.

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The following reconciles the general fund budgetary basis to the GAAP basis:

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 12,256,929
Adjustment:	
Basis difference:	
Inception of capital leases	23,156
GASB Statement No. 54:	
Interest income earned on eliminated expendable trust funds	87
Interest income earned on eliminated exaction fee fund	29
Interest income earned on eliminated law fund	1
Income earned in eliminated library fund	23,331
Non-budgetary and other financing sources	3
Change in deferred tax revenue relating to 60-day revenue recognition	10,320
Per Exhibit C-3 (GAAP basis)	<u>\$ 12,313,856</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 12,266,930
Adjustment:	
Basis differences:	
Encumbrances, beginning	132,915
Encumbrances, ending	(173,536)
Prior year budgetary expenditures	16,309
Inception of capital leases	23,156
Change in accrued payroll recognized on GAAP basis	43,056
GASB Statement No. 54:	
To record expendable trust expenditures during the year	28,879
To record library fund expenditures during the year	141,486
To eliminate transfers between general and expendable trust funds	(30,000)
To eliminate transfer between general and library funds	(88,955)
Per Exhibit C-3 (GAAP basis)	<u>\$ 12,360,240</u>

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The government does have a deposit policy for custodial credit risk. As of December 31, 2012, none of the Town's bank balances were exposed to custodial credit risk as uninsured or uncollateralized.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 15,899,606
Cash per Statement of Fiduciary Net Position (Exhibit E-1)	513,723
Total cash and cash equivalents	<u>\$ 16,413,329</u>

NOTE 4 – INVESTMENTS

Note 1-G, describes statutory requirements covering the investment of the Town funds. The Town also maintains a portfolio consisting of common stocks that is reported at fair value, based on quoted market prices. As of December 31, 2012, the Town had \$62,257 invested in common stock.

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Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term and that change could materially affect the amounts reported in the Statement of Net Position.

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.

Concentration of Credit Risk – The Town places no limit on the amount it may invest in any one issuer. No more than 5% of the Town’s investments are in any one issuer.

NOTE 5 – RESTRICTED CASH

The developers cash deposits of \$330,589 are classified as restricted because of the statutory limitation place on their use as they are earmarked for a specific purpose.

NOTE 6 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2012. The amount has been reduced by an allowance for an estimated uncollectible amount of \$130,000. Taxes receivable by year are as follows:

Property:		
Levy of 2012	\$	2,106,069
Unredeemed (under tax lien):		
Levy of 2011		620,073
Levy of 2010		241,640
Levies of 2009 and prior		78,120
Less: allowance for estimated uncollectible taxes		<u>(130,000)</u>
Net taxes receivable		<u><u>\$ 2,915,902</u></u>

NOTE 7 – OTHER RECEIVABLES

Receivables at December 31, 2012, consisted of accounts (billings for police details, ambulance), 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, 2012 for the Town’s general fund and nonmajor funds in the aggregate including applicable allowances for uncollectible accounts are as follows:

	General Fund	Other Governmental Funds	Total
Receivables:			
Accounts	\$ 181,077	\$ 51,490	\$ 232,567
Intergovernmental	156,429	-	156,429
Gross receivables	<u>337,506</u>	<u>51,490</u>	<u>388,996</u>
Less: allowance for uncollectible	(55,654)	-	(55,654)
Net total receivables	<u><u>\$ 281,852</u></u>	<u><u>\$ 51,490</u></u>	<u><u>\$ 333,342</u></u>

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NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 consisted of the following:

	Balance, beginning	Additions	Disposals	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 11,451,592	\$ 756,000	\$ (19,150)	\$ 12,188,442
Construction in progress	160,364	-	(160,364)	-
Total capital assets not being depreciated	<u>11,611,956</u>	<u>756,000</u>	<u>(179,514)</u>	<u>12,188,442</u>
Being depreciated:				
Infrastructure	39,703,896	2,654,938	-	42,358,834
Land improvements	1,402,337	222,000	-	1,624,337
Buildings and improvements	9,088,078	-	-	9,088,078
Vehicles and equipment	4,338,027	464,270	(27,500)	4,774,797
Total capital assets being depreciated	<u>54,532,338</u>	<u>3,341,208</u>	<u>(27,500)</u>	<u>57,846,046</u>
Total all capital assets	<u>66,144,294</u>	<u>4,097,208</u>	<u>(207,014)</u>	<u>70,034,488</u>
Less accumulated depreciation:				
Infrastructure	(22,946,078)	(1,233,722)	-	(24,179,800)
Land improvements	(1,013,256)	(95,341)	-	(1,108,597)
Buildings and improvements	(3,361,294)	(230,495)	-	(3,591,789)
Vehicles and equipment	(2,191,184)	(346,092)	27,500	(2,509,776)
Total accumulated depreciation	<u>(29,511,812)</u>	<u>(1,905,650)</u>	<u>27,500</u>	<u>(31,389,962)</u>
Net book value, capital assets being depreciated	<u>25,020,526</u>	<u>1,435,558</u>	<u>-</u>	<u>26,456,084</u>
Net book value, all governmental activities capital assets	<u>\$ 36,632,482</u>	<u>\$ 2,191,558</u>	<u>\$ (179,514)</u>	<u>\$ 38,644,526</u>

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	\$ 33,387
Public safety	297,689
Highways and streets	1,305,772
Sanitation	100,417
Culture and recreation	168,385
Total depreciation expense	<u>\$ 1,905,650</u>

NOTE 9 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of December 31, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	\$ 28,121
Nonmajor governmental	General	9,804
		<u>\$ 37,925</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.

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Interfund Transfers - The composition of interfund transfers for the year ended December 31, 2012 is as follows:

	Transfers In:		
	General Fund	Other Governmental Funds	Total
Transfers out:			
General fund	\$ -	\$ 2,350	\$ 2,350
Other governmental funds	1,353	-	1,353
Total	\$ 1,353	\$ 2,350	\$ 3,703

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.

NOTE 10 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments at December 31, 2012 consist of:

General fund:	
Balance of 2012-2013 district assessment due to the Windham School District	\$ 15,896,744
Fees due to the State of New Hampshire	13,023
Total intergovernmental payables	\$ 15,909,767

NOTE 11 – DEFERRED/UNEARNED REVENUE

Deferred/unearned revenue of \$ 2,221,551 at December 31, 2012 consists of property taxes not collected within 60 days of year end which are deferred in accordance with the 60-day rule.

NOTE 12 – LONG-TERM LIABILITIES

Changes in the Town's long-term obligations consisted of the following for the year ended December 31, 2012:

	General Obligation Bonds Payable	Capital Leases Payable	Compensated Absences Payable	Total
Balance, beginning	\$ 413,935	\$ 185,614	\$ 1,144,416	\$ 1,743,965
Additions	-	23,156	523,989	547,145
Reductions	(206,768)	(114,151)	(514,634)	(835,553)
Balance, ending	\$ 207,167	\$ 94,619	\$ 1,153,771	\$ 1,455,557

Long-term liabilities payable are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2012	Current Portion
General obligation bonds payable:						
Fire Engine Bond	\$ 391,135	2011	2013	1.46	\$ 195,567	\$ 195,567
Searles Building Renovation Bond	\$ 100,000	2003	2013	4.00	11,600	11,600
					207,167	207,167
Capital leases payable:						
Trailers	\$ 146,210	2010	2013	3.305	36,552	36,552
Vehicles - Police/Fire	\$ 127,888	2011	2013	2.940	42,630	42,630
Vehicles - Police	\$ 23,156	2012	2014	2.190	15,437	7,719
					94,619	86,901
Compensated absences payable:						
Earned time					1,153,771	57,770
Total					\$ 1,455,557	\$ 351,838

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The annual requirements to amortize all general obligation bonds outstanding as of December 31, 2012, including interest payments, are as follows:

Fiscal Year Ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	<u>\$ 207,167</u>	<u>\$ 3,319</u>	<u>\$ 210,486</u>

The final payments on the fire engine bond and Searles building renovation bond payable are due in 2013 and consist of \$207,167 principal and \$3,319 interest, for a total of \$210,486.

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.

NOTE 13 – CAPITAL LEASE OBLIGATIONS

The Town has entered into certain capital lease agreements under which the related equipment will become the property of the Town when all the terms of the lease agreements are met.

The annual requirements to amortize capital leases payable as of December 31, 2012, including interest payments, are as follows:

Fiscal Year Ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	<u>\$ 86,901</u>	<u>\$ 6,048</u>	<u>\$ 92,949</u>
2014	<u>7,718</u>	<u>271</u>	<u>7,989</u>
Totals	<u>\$ 94,619</u>	<u>\$ 6,319</u>	<u>\$ 100,938</u>

Amortization of lease equipment under capital assets is included with depreciation expense.

NOTE 14 – ENCUMBRANCES

Encumbrances outstanding of \$173,536 at December 31, 2012, are as follows:

<u>Description</u>	
General fund:	
General government:	
Financial administration	\$ 16,612
Information technology	6,022
Community development	2,000
General government buildings	10,795
Cemeteries	3,200
Searles	1,000
Public safety:	
Police	30,980
Fire	10,950
Highways and streets	90,377
Culture and recreation:	
Parks and recreation	<u>1,600</u>
Total encumbrances	<u>\$ 173,536</u>

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NOTE 15 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide Statement of Net Position at December 31, 2012 include the following:

Invested in capital assets, net of related debt:	
Capital assets, net of accumulated depreciation	\$ 38,644,526
Less:	
General obligation bonds payable	(207,167)
Capital lease s payable	(94,619)
Total invested in capital assets, net of related debt	<u>38,342,740</u>
Restricted for special purposes:	
Trust purposes	351,124
Police forfeitures	7,833
Total restricted for special purposes	<u>358,957</u>
Unrestricted	<u>948,707</u>
Total net position	<u><u>\$ 39,650,404</u></u>

NOTE 16 – PRIOR PERIOD ADJUSTMENTS

Fund equity at January 1, 2012 was restated to give retroactive effect to the following prior period adjustments:

	<u>Governmental</u>
	<u>Activities</u>
To restate compensated absences liability	\$ (174,863)
Fund balance, as previously reported	37,771,774
Fund balance, as restated	<u><u>\$37,596,911</u></u>

NOTE 17 – 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 deposits, these letters of credit and surety bonds are not included as part of the financial statements. As of December 31, 2012, the Town held performance deposits totaling \$2,346,197.

NOTE 18 – 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 fund with the general operating budget to fund health insurance costs. Employees were required to co-pay between 20-25% of the monthly premium. Expenditures during 2012 were \$1,496,675 for health insurance premiums, \$210,621 for non-covered employee claims as a result of higher deductibles and \$3,340 for administrative expenses. Claims are reviewed by an outside claims administrator and then paid by the Town. At December 31, 2012 the unexpended balance of the health insurance expendable trust fund is \$281,224. Outstanding claims payable at December 31, 2012 totaled \$6,372.

NOTE 19 – DEFICIT FUND BALANCES

The general fund had a deficit fund balance of \$967,859 at December 31, 2012 due to property tax revenue recognized in accordance with the 60-day rule. Property taxes billed and uncollected 60 days after year end amounted to \$2,221,551.

TOWN OF WINDHAM, NEW HAMPSHIRE
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NOTE 20 – EMPLOYEE RETIREMENT PLAN

The Town participates in the New Hampshire Retirement System (the System) which is the administrator of a cost-sharing multiple-employer contributory pension plan and trust 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 plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Provision for benefits and contributions are established and can be amended by the New Hampshire Legislature. 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.

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. For fiscal year 2012, all employees except police officers and firefighters were required to contribute 7% of earnable compensation. The contribution rates were 11.55% for police officers and 11.80% for firefighters. The Town’s contribution rates for 2012 for pension and medical subsidy were as follows; police officers 19.95%; firefighters, 22.89%; all other employees, 8.80%.

The contribution requirements for the Town of Windham for the fiscal years 2010, 2011, and 2012 were \$761,582, \$839,489, and \$887,473, respectively, which were paid in full in each year. Participants have a 100% vested and non-forfeitable interest upon retiring at the age of 65.

Supplemental Retirement Plan - The Town has a defined contribution supplemental retirement pension plan that covers full time employees except police and fire department employees. The plan was adopted on October 1, 1987. Employees are eligible for normal retirement after age sixty-five. Each participant will have a 100% vested and non-forfeitable interest upon retiring at the age of 65. 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 additional 10% of their earnings. The Town contributes 5% of a participants total earnings to the plan. Covered wages paid under this plan during 2012 were \$2,156,534, 35.1% of total wages of \$6,138,634. Employee contributions including additional voluntary contributions, to the plan were \$93,368, or 4.3% of covered wages. Employer contributions to the plan were \$107,830 or 5.0% of covered wages.

The Town’s portion of investments is in fixed income funds. Employees may select fixed income or other mutual funds offered by Diversified Investment Advisors.

NOTE 21 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

In addition to pension benefits described in preceding note, the Town provides postemployment benefit options for health care, to eligible retirees, and their dependents. The benefits are provided in accordance with the Town’s personnel policy, collective bargaining agreements, and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). Group I employees are required to reach age 60 with no minimum service to qualify for this benefit. Group II employees are eligible at age 45 with 20 years of service or at age 60 with no service requirements. Retirees pay the full cost of health insurance except the Town assumes responsibility as follows:

<u>Years of Employment</u>	<u>Length of Coverage</u>
10-15	3 months
15-20	6 months
20-25	9 months
25+	12 months

There are 107 participants currently eligible. Expenses for the postretirement health care benefits are recognized as eligible employee claims are paid.

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The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45, which was effective for the Town on January 1, 2009, requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported on the financial statements.

Plan Description - The Plan is a single-employer defined benefit health care plan administered by the Town which provides medical insurance to eligible retirees and their beneficiaries.

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45, was implemented by the Town during fiscal year 2012, and requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported similar to pension plans. GASB Statement No. 45 does not mandate the pre-funding of postemployment benefit liabilities. However, any pre-funding of these benefits will help minimize or eliminate the postemployment benefit obligation that will be required to be reported on the financial statements.

The Town has only partially funded (on a pay-as-you-go basis) the annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2012:

Fiscal Year Ended	Annual Required Contribution (ARC)	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
December 31, 2012	\$ 98,590	\$ 69,241	70.23%	\$ 466,159

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 was as follows:

As of January 1, 2012, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$1,495,793, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,495,793. The covered payroll (annual payroll of active employees covered by the plan) was \$5,519,785 during fiscal year 2012, and the ratio of the UAAL to the covered payroll was 27.1%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for Other Postemployment Benefits Plan, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2012 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4% investment rate of return per annum. The projected annual healthcare cost trend is 9% initially, reduced by decrements to an ultimate rate of 5% after 8 years. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at December 31, 2012 was 30 years.

TOWN OF WINDHAM, NEW HAMPSHIRE
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NOTE 22 – 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 2012, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs. These entities are considered a public entity risk pools, currently operating as common risk management and insurance programs for member Towns and cities.

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, 2012 to December 31, 2012 by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The estimated contribution from the Town of Windham for the year ended December 31, 2012 was \$130,680 for workers' compensation, the Town paid \$98,008 and received a premium holiday in the amount of \$87,739, the difference of \$55,067 will be applied toward future contributions. The Town was billed and paid \$108,619 for property/liability insurance.

NOTE 23 – CONTINGENCIES

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.

NOTE 24 – DONATION

The Town received non-monetary donations during 2012 from developers in the form of roads donated to the Town. The value of the donated roads was \$2,021,938 and these roads are now considered a capital asset of the Town.

NOTE 25 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus and Amendments of GASB Statements No. 14 and No. 34*, issued November 2010, will be effective for the Town beginning with its fiscal year ending December 31, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued March 2012, will be effective for the Town beginning with its fiscal year ending December 2013. This Statement is intended to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

GASB Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*, issued March 2012, will be effective for the Town beginning with its fiscal year ending December 31, 2013.

GASB Statement No. 67, *Financial Reporting for Pension Plans*, issued in June 2012, will be effective for the Town beginning with its fiscal year ending December 31, 2014. The guidance contained in this statement will change how governments calculate and report the costs and obligations associated with pensions in important ways. This replaces the requirements of Statements No. 27 and 50.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued in June 2012, will be effective for the Town beginning with its fiscal year ending December 31, 2014. The guidance contained in this statement will change how governments calculate and report the costs and obligations associated with pensions in important ways. This replaces the requirements of Statements No. 27 and 50.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 26 – 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.

Tax Anticipation Note - The Town issued a tax anticipation note in the amount of \$2,000,000 with an interest rate of 1.23% on May 20, 2013. Principal and interest are due by December 28, 2013.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT F
TOWN OF WINDHAM, NEW HAMPSHIRE
Schedule of Funding Progress for Other Postemployment Benefit Plan
For the Fiscal Year Ended December 31, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
January 1, 2012	\$ -	\$ 1,495,793	\$ 1,495,793	0.00%	\$ 5,519,785	27.10%

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

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2012

Schedule of Funding Progress for Other Postemployment Benefits (OPEB)

As required by GASB Statement No. 45, Exhibit F represents the actuarial determined costs associated with the Town's other postemployment benefits for the fiscal year ended December 31, 2012.

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, 2012

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 7,061,047	\$ 7,034,950	\$ (26,097)
Timber	700	1,106	406
Boat	14,300	14,312	12
Payment in lieu of taxes	11,769	11,429	(340)
Interest and penalties on taxes	220,000	304,597	84,597
Total from taxes	<u>7,307,816</u>	<u>7,366,394</u>	<u>58,578</u>
Licenses, permits, and fees:			
Motor vehicle permit fees	2,700,000	2,727,012	27,012
Building permits	138,000	150,210	12,210
Other	59,800	59,434	(366)
Total from licenses, permits, and fees	<u>2,897,800</u>	<u>2,936,656</u>	<u>38,856</u>
Intergovernmental:			
State:			
Meals and rooms distribution	613,750	613,652	(98)
Highway block grant	275,609	275,609	-
Highway truck grants	257,286	250,572	(6,714)
Fire SAFER grant	25,330	25,330	-
Other	31,575	31,575	-
Total from intergovernmental	<u>1,203,550</u>	<u>1,196,738</u>	<u>(6,812)</u>
Charges for services:			
Income from departments	<u>320,361</u>	<u>372,458</u>	<u>52,097</u>
Miscellaneous:			
Sale of municipal property	42,801	49,581	6,780
Interest on investments	7,500	6,159	(1,341)
Franchise fees	222,000	223,270	1,270
Insurance dividends and reimbursements	14,000	15,555	1,555
Contributions and donations	10,650	31,928	21,278
Other	36,650	56,838	20,188
Total from miscellaneous	<u>333,601</u>	<u>383,331</u>	<u>49,730</u>
Other financing sources:			
Transfers in:			
Nonmajor fund	<u>1,000</u>	<u>1,352</u>	<u>352</u>
Total revenues and other financing sources	<u>12,064,128</u>	<u>\$ 12,256,929</u>	<u>\$ 192,801</u>
Unassigned fund balance used to reduce tax rate	602,311		
Total revenues, other financing sources, and use of fund balance	<u>\$ 12,666,439</u>		

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, 2012

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 3,690	\$ 3,230	\$ -	\$ 460
Election and registration	-	23,650	27,646	-	(3,996)
Financial administration	-	868,910	834,913	16,612	17,385
Revaluation of property	-	196,000	194,326	-	1,674
Legal	-	52,400	66,438	-	(14,038)
Information technology	-	200,200	178,777	6,022	15,401
Community development	3,940	442,835	410,189	2,000	34,586
General government buildings	-	485,280	475,114	10,795	(629)
Cemeteries	3,200	41,200	26,208	3,200	14,992
Insurance, not otherwise allocated	-	255,130	223,458	-	31,672
Searles building	-	15,525	12,815	1,000	1,710
Other	-	17,500	7,200	-	10,300
Total general government	<u>7,140</u>	<u>2,602,320</u>	<u>2,460,314</u>	<u>39,629</u>	<u>109,517</u>
Public safety:					
Police	1,978	2,481,835	2,429,107	30,980	23,726
Fire	-	2,870,045	2,835,218	10,950	23,877
Emergency management	-	6,490	4,145	-	2,345
Dispatching	-	404,160	395,667	-	8,493
Total public safety	<u>1,978</u>	<u>5,762,530</u>	<u>5,664,137</u>	<u>41,930</u>	<u>58,441</u>
Highways and streets:					
Highways and streets	7,191	1,130,280	898,928	90,377	148,166
Street lighting	-	14,320	14,828	-	(508)
Total highways and streets	<u>7,191</u>	<u>1,144,600</u>	<u>913,756</u>	<u>90,377</u>	<u>147,658</u>
Sanitation:					
Solid waste disposal	-	910,485	910,869	-	(384)
Health:					
Pest control	-	20,065	18,355	-	1,710
Health agencies	-	36,655	34,783	-	1,872
Total health	<u>-</u>	<u>56,720</u>	<u>53,138</u>	<u>-</u>	<u>3,582</u>
Welfare:					
Direct assistance	-	57,040	47,081	-	9,959
Culture and recreation:					
Parks and recreation	-	181,575	175,141	1,600	4,834
Library	-	875,755	873,363	-	2,392
Other	-	100,470	94,659	-	5,811
Total culture and recreation	<u>-</u>	<u>1,157,800</u>	<u>1,143,163</u>	<u>1,600</u>	<u>13,037</u>
Debt service:					
Principal of long-term debt	-	195,567	195,568	-	(1)
Interest on long-term debt	-	5,711	5,679	-	32
Interest on tax anticipation notes	-	500	-	-	500
Total debt service	<u>-</u>	<u>201,778</u>	<u>201,247</u>	<u>-</u>	<u>531</u>

(Continued)

SCHEDULE 2 (Continued)
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, 2012

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Capital outlay	116,606	651,861	711,299	-	57,168
Other financing uses:					
Transfers out:					
Nonmajor funds:					
Special revenue:					
Library	-	88,955	88,955	-	-
Conservation	-	2,350	2,350	-	-
Expendable trust	-	30,000	30,000	-	-
Total other financing uses	-	121,305	121,305	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 132,915</u>	<u>\$ 12,666,439</u>	<u>\$ 12,226,309</u>	<u>\$ 173,536</u>	<u>\$ 399,509</u>

SCHEDULE 3
TOWN OF WINDHAM, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2012

Unassigned fund balance, beginning	\$	902,311
Reclassify prior year tax deeded property (nonspendable fund balance) from unassigned fund balance		(36,182)
Changes:		
Unassigned fund balance used to reduce 2012 tax rate		(602,311)
2012 Budget summary:		
Revenue surplus (Schedule 1)	\$ 192,801	
Unexpended balance of appropriations (Schedule 2)	<u>399,509</u>	
2012 Budget surplus		592,310
Decrease in nonspendable fund balance		16,592
Increase in assignment for abatements		<u>(136,309)</u>
Unassigned fund balance, ending, budgetary basis		<u>736,411</u>
 <i>Reconciliation of Non-GAAP Budgetary Basis to GAAP Basis:</i>		
To comply with generally accepted accounting principles (National Council of Governmental Accounting Interpretation 3, <i>Revenue Recognition - Property Taxes</i> , as amended) by deferring property taxes not collected within 60 days of fiscal year-end		<u>(2,221,551)</u>
To record accrued payroll for presentation of modified accrual accrual basis financial statement.		<u>(99,451)</u>
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)	\$	<u><u>(1,584,591)</u></u>

SCHEDULE 4
TOWN OF WINDHAM, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2012

	Special Revenue Funds										Total
	Public Safety Details Fund	Recreation Fund	Seawall Fund	Police Forfeiture Fund	Land Purchase Conservation Fund	Expendable Trust Fund	Impact Fees Fund	Rail Trail Alliance Fund	Permanent Fund		
ASSETS											
Cash and cash equivalents	\$ 89,667	\$ 28,804	\$ 5,355	\$ 7,833	\$ 522,788	\$ 573,418	\$ 49,479	\$ -	\$ 290,220	\$ 1,567,564	
Investments	-	-	-	-	-	-	-	-	62,257	62,257	
Accounts receivable	51,490	-	-	-	-	-	-	-	-	51,490	
Interfund receivable	-	-	-	-	26,331	1,790	-	-	-	28,121	
Total assets	\$ 141,157	\$ 28,804	\$ 5,355	\$ 7,833	\$ 549,119	\$ 575,208	\$ 49,479	\$ -	\$ 352,477	\$ 1,709,432	
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,847	\$ -	\$ -	\$ -	\$ 23,847	
Interfund payable	8,451	-	-	-	-	-	-	-	1,353	9,804	
Total liabilities	8,451	-	-	-	-	23,847	-	-	1,353	33,651	
Fund balances:											
Nonspendable:											
Permanent fund (principal balance)	-	-	-	-	-	-	-	-	292,107	292,107	
Restricted:											
Permanent fund (income balance)	-	-	-	-	-	-	-	-	59,017	59,017	
Public safety	-	-	-	7,833	-	-	-	-	-	7,833	
Committed:											
General government	-	-	-	-	-	281,224	-	-	-	281,224	
Public safety	132,706	-	-	-	-	-	49,479	-	-	182,185	
Culture and recreation	-	28,804	5,355	-	-	-	-	-	-	34,159	
Conservation	-	-	-	-	549,119	-	-	-	-	549,119	
Assigned:											
Culture and recreation	-	-	-	-	-	270,137	-	-	-	270,137	
Total fund balances	132,706	28,804	5,355	7,833	549,119	551,361	49,479	-	351,124	1,675,781	
Total liabilities and fund balances	\$ 141,157	\$ 28,804	\$ 5,355	\$ 7,833	\$ 549,119	\$ 575,208	\$ 49,479	\$ -	\$ 352,477	\$ 1,709,432	

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, 2012

	Special Revenue Funds										Total
	Public Safety Details Fund	Recreation Fund	Searles Fund	Police Forfeiture Fund	Conservation Fund	Land Purchase Fund	Expendable Trust Fund	Impact Fees Fund	Rail Trail Alliance Fund	Permanent Fund	
Revenues:											
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 64,912	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,912
Charges for services	181,355	136,075	-	-	-	-	-	-	-	-	317,430
Miscellaneous	60	11	23,930	194	1,179	471,923	23,005	-	-	18,392	538,694
Total revenues	181,415	136,086	23,930	194	66,091	471,923	23,005	-	-	18,392	921,036
Expenditures:											
Current:											
General government	-	-	10,900	-	-	499,904	-	-	-	-	510,804
Public safety	227,614	-	-	2,929	-	-	-	-	-	-	230,543
Culture and recreation	-	139,370	-	-	-	17,475	-	1,500	-	-	158,345
Conservation	-	-	-	-	14,197	-	-	-	-	-	14,197
Debt service:											
Principal	-	-	11,200	-	-	-	-	-	-	-	11,200
Interest	-	-	912	-	-	-	-	-	-	-	912
Capital outlay	-	-	-	-	150,437	-	-	-	-	-	150,437
Total expenditures	227,614	139,370	23,012	2,929	164,634	517,379	-	1,500	-	-	1,076,438
Excess (deficiency) of revenues over (under) expenditures	(46,199)	(3,284)	918	(2,735)	(98,543)	(45,456)	23,005	(1,500)	18,392	(155,402)	
Other financing sources (uses):											
Transfers in	-	-	-	-	2,350	-	-	-	-	-	2,350
Transfers out	-	-	-	-	-	-	-	-	(1,353)	-	(1,353)
Total other financing sources and uses	-	-	-	-	2,350	-	-	-	(1,353)	-	997
Net change in fund balances	(46,199)	(3,284)	918	(2,735)	(96,193)	(45,456)	23,005	(1,500)	17,039	(154,405)	
Fund balances, beginning	178,905	32,088	4,437	10,568	645,312	596,817	26,474	1,500	334,085	1,830,186	
Fund balances, ending	\$ 132,706	\$ 28,804	\$ 5,355	\$ 7,833	\$ 549,119	\$ 551,361	\$ 49,479	\$ -	\$ 351,124	\$ 1,675,781	