

**TOWN OF WINDHAM,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013**

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PLODZIK & SANDERSON

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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 fund, and the aggregate remaining fund information of the Town of Windham as of and for the year ended December 31, 2013, 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 fund, and the aggregate remaining fund information of the Town of Windham as of December 31, 2013, the respective changes in financial position, and the budgetary comparison information for the general fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information - Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 3 through 11) and the Schedule of Funding Progress for Other Postemployment Benefit Plan (page 41) 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

Town of Windham
Independent Auditor's Report

auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information - Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 14, 2014

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, 2013. 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 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.

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

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 with 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 major general fund and two non-major funds. 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

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 \$40.4 million at the end of 2013, which represents an increase of \$768 thousand, or 1.9%, as compared to the end of the previous year.

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

Statement of Net Position

The following is a summary of condensed government-wide financial data showing net position as of December 31, 2013 and December 31, 2012:

	<u>2013</u>	<u>2012</u>	<u>%</u> <u>Change</u>
Cash, receivables & other assets	\$23,871,877	\$19,562,876	22.0%
Capital assets, net	38,862,919	38,644,526	0.6
Total Assets	<u>62,734,796</u>	<u>58,207,402</u>	<u>7.8</u>
Accrued liabilities & payables	20,389,602	16,635,282	22.6
Bonds, leases & long-term liabilities	1,780,379	1,921,716	(7.4)
Total Liabilities	<u>22,169,981</u>	<u>18,556,998</u>	<u>19.5</u>
Deferred inflows of resources:			
Land use change taxes (unavailable)	146,500	0	100.0
Net position:			
Net investment in capital assets	38,803,322	38,342,740	1.2
Restricted	465,877	358,957	29.8
Unrestricted	1,149,116	948,707	21.1
Total Net Position	<u>\$40,418,315</u>	<u>\$39,650,404</u>	<u>1.9%</u>

Total net position is presented in three categories: net investment in capital assets, restricted, and unrestricted.

The largest component of net position is the investment in capital assets (e.g. land, buildings, machinery and equipment). The figure presented (\$38.8 million) is net of any related debt incurred to acquire those assets, and represents 96% 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 (\$466 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 (refer to Note 15 for further details). The remaining portion (\$1.1 million or 3%) of the net position is unrestricted, and is analyzed later in this report.

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

Statement of Activities

The following is a summary of condensed government-wide financial data of changes in net position for the years ending December 31, 2013 and December 31, 2012:

	<u>2013</u>	<u>2012</u>	<u>% Change</u>
Revenues			
Program Revenues:			
Charges for services	\$928,170	\$689,888	34.5%
Operating grants and contributions	272,719	551,511	(50.6)
Capital grants and contributions	1,209,171	2,627,938	(54.0)
Total program revenues	<u>2,410,060</u>	<u>3,869,337</u>	<u>(37.7)</u>
General Revenues:			
Property & other taxes	7,904,437	7,431,306	6.4
Licenses & permits	3,243,013	2,936,656	10.4
Grants & contributions	674,619	645,227	4.6
Other general revenues	1,238,685	945,475	31.0
Total general revenues	<u>13,060,754</u>	<u>11,958,664</u>	<u>9.2</u>
Total Revenues	<u>15,470,814</u>	<u>15,828,001</u>	<u>(2.3)</u>
Program Expenses:			
General government	3,289,053	3,051,741	7.8
Public safety	6,488,518	6,081,323	6.7
Highways and streets	2,185,445	1,906,695	14.6
Health and welfare	93,150	100,219	(7.1)
Sanitation	887,164	978,959	(9.4)
Culture, recreation and conservation	1,693,470	1,651,913	2.5
Capital outlay	64,651	0	100.0
Interest and fiscal charges	1,452	3,658	(60.3)
Total Expenses	<u>14,702,903</u>	<u>13,774,508</u>	<u>6.7</u>
Increase (decrease) in net position	767,911	2,053,493	
Net Position, beginning of year, <i>restated</i>	39,650,404	37,596,911	
Net Position, end of year	<u>\$40,418,315</u>	<u>39,650,404</u>	<u>1.9%</u>

The Town's net position increased by \$768 thousand, or 1.9% during 2013, as compared to \$2.0 million, or 5.4% in the previous year. The primary funding source for governmental activities are taxes and permits, which combined account for 72% of all revenues. Total 2013 revenues of \$15.5 million were greater than 2013 expenses of \$14.7 million, representing an increase in net position of \$768 thousand. Revenue in 2013 was slightly lower than 2012 revenue by \$357 thousand, or (2.3)%. This decrease was primarily due to lower capital grants and contributions in 2013, as a result of the acceptance of fewer new town roads in 2013 than 2012, all of which are accounted for as donated contributions and vary from year to year. This was offset by a \$238 thousand increase in charges for services and a \$473 thousand increase in property and other tax revenues in 2013, due to fluctuations in departmental activity.

Total expenses during 2013 of \$14.7 million were higher than 2012 expenses of \$13.8 million by \$928 thousand, or 6.7%. The largest increase was in the highways and streets and capital outlay categories, due to highway equipment purchases and capital road improvement projects completed during the year.

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

Financial Analysis of Town of Windham Funds

Governmental Funds. At the end of 2013 and 2012, the combined fund balances (deficit) for all governmental funds were as follows:

	<u>2013</u>	<u>2012</u>
General Fund	\$(592,906)	\$(967,859)
Other Governmental Funds	1,827,634	1,675,780
Total Governmental Fund Balance	\$1,234,728	\$707,921

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, 2013 to December 31, 2012, the total fund balance on the Governmental Funds Balance Sheet as of December 31, 2013 was \$1.2 million, as compared to \$708 thousand as of December 31, 2012, representing an increase of \$527 thousand, or 74%. This overall increase reflects the positive budgetary variance in the general fund discussed later in this report, as well as 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 2013 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 Schedule 4. The fund balances in all other governmental funds of \$1.8 million increased by approximately \$151 thousand as compared to the 2012 balance. These other governmental funds are restricted for the purposes originally established at the time of appropriation. The largest single fund is the Land Purchase Conservation Fund, which had a fund balance of \$670 thousand as of December 31, 2013, an increase of \$121 thousand from the 2012 balance. The increase in this fund is a result of current use penalty taxes collected totaling \$250 thousand, offset by land purchases for \$125 thousand, during 2013. The most significant activity within the other individual funds was an increase of \$68 thousand in public safety impact fees collected as a result of increased building activity, offset by a decrease of \$117 thousand in the Health Expendable Trust Fund as a result of payments towards health insurance premiums during 2013.

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 2013. 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>2013</u>	<u>2012</u>
Total fund balance – budgetary basis	\$1,191,968	\$951,587
Portion designated as nonspendable	(28,692)	(21,090)
Portion designated as committed	(206,611)	(0)
Portion designated as assigned	(222,639)	(293,536)
Available for tax rate setting (Unassigned)	\$734,026	\$636,961

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

As discussed in Note 17 the beginning of year unassigned fund balance of \$636,961, reflects a restatement of the December 31, 2012 ending unassigned fund balance, representing a decrease of \$99 thousand, due to a restatement of liabilities. The amount of the December 31, 2012 fund balance used to reduce the 2013 tax rate (based on the balance prior to restatement of \$736 thousand) was \$436 thousand, as compared to \$602 thousand used for the 2012 tax rate. After this reduction, the net unassigned fund balance as of December 31, 2013 grew to \$734 thousand due to a favorable variance in fiscal 2013 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 \$12.6 million, was slightly higher than the original budget of \$12.4 million as approved by the State Department of Revenue Administration, by a difference of \$256 thousand. The budgeted revenues are adjusted for the amount of unanticipated revenues received and accepted by the Board of Selectmen throughout the year, and for 2013, reflect insurance rebates received. The net budgeted revenues reflected in the chart below show the amount of 2012 ending fund balance, utilized for tax rate setting purposes in 2013, as previously discussed.

The final budget for expenditures and operating transfers out, totaling \$13.1 million, was higher than the original budget approved by the State Department of Revenue Administration by the same difference of \$256 thousand. The budgeted expenditures are adjusted for any offsetting expenditures to the unanticipated revenues received, and for 2013, reflect insurance rebates received. Actual expenditures of \$12.5 million shown below, are adjusted for the net of 2012 and 2013 encumbrances.

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 \$733 thousand.

	Final Budget	Actual	Variance
	<i>(Budgetary Basis)</i>		
Revenues	\$12,649,336	\$12,861,236	\$211,900
Bond Proceeds	0	0	-
Transfers In	1,350	1,972	622
Expenditures	(12,952,505)	(12,432,337)	520,168
Transfers Out	(134,592)	(134,592)	-
Net	\$(436,411)	\$296,279	\$732,690

Actual revenues and transfers in were higher than the final budgeted amounts by a combined \$212 thousand. This was primarily due to various differences in actual amounts collected by the Town, including interest and penalties on taxes, motor vehicle registrations and general departmental income through the end of fiscal 2013, as compared to budgeted amounts set in the fall of 2013. 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. The positive variances were offset by \$140,000 in grant funds which was budgeted and not received during 2013, as the project was not completed during the year. Additionally, as the \$140,000 was not expended during 2013, it is reflected as a positive variance in capital outlay expenditures for the year.

Actual expenditures and transfers out were less than the final budget by \$520 thousand, and the majority of the savings was in the general government and highways and streets categories. The largest component of the overall budgetary savings was in the highway budget (\$147 thousand), primarily due to certain highway projects which were not completed. In addition, throughout several budgets, savings on

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

employee salary and benefit expenditures were recognized as a result of several unforeseen staffing vacancies during 2013. Lastly, the Town received a premium holiday from its workers compensation insurance program, as reflected in the general government savings. Offsetting these areas of savings, were additional salary and benefit expenditures across several departments, as a result of a one-time buyout of certain employee earned time balances as part of the Town's review of long-term liabilities. This resulted in some departmental budgets showing a negative variance in expenditures for the year.

Revenues and other sources used to support the General Fund operations for the year ended December 31, 2012 totaled \$12.9 million, as compared to \$12.3 million for the previous year, or an increase of \$606 thousand, or 4.9%. This was primarily due to an increase in taxes and licenses and permits, which combined represent 85% of the funding sources in both 2013 and 2012, as a result of an overall increase in voted appropriations. The variance in property taxes from year to year is impacted by the level of abatements granted, which continued to escalate in 2012, but had leveled off somewhat for 2013. The increase in licenses and permits is due to an overall increase in motor vehicle registration revenue and increased building permit revenue. Lastly, the increase in miscellaneous revenue reflects \$275 thousand received as a premium holiday for the Town's health, dental and workers compensation insurance programs, which was then used to offset expenditures for these programs during 2013. Collectively, these increases were partially offset by lower intergovernmental revenues in 2013, due to the fact that grant funds totaling \$251 thousand were received in 2012 and did not repeat in 2013. The following comparison shows the breakdown of general fund revenues, from a budgetary basis, by category and percentage change over the previous year:

<u>Revenues:</u>	<u>2013</u>	<u>2012</u>	<u>% Change</u>
Taxes	\$7,654,559	\$7,366,394	3.9%
Licenses and Permits	3,243,013	2,936,656	10.4
Intergovernmental	947,338	1,196,738	(20.8)
Charges for Services	452,543	372,458	21.5
Interest Income	3,097	6,159	(49.8)
Miscellaneous	560,686	377,172	48.7
	<hr/>	<hr/>	
	12,861,236	12,255,577	4.9
Bond Proceeds	0	0	-
Operating transfers in	1,972	1,352	45.9
Total	<hr/>	<hr/>	
	\$12,863,208	\$12,256,929	4.9%

Expenditures (including principal and interest payments on debt) and other uses totaled \$12.6 million for the year ended December 31, 2013, as compared to \$12.3 million for the previous year, or an increase of 2.4%. Public safety represented the highest category of spending at 47% of the total spending for General Fund activities in 2013, as compared to 46% in 2012. 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>2013</u>	<u>2012</u>	<u>% Change</u>
General Government	\$2,563,979	\$2,492,803	2.9%
Public Safety	5,866,313	5,704,089	2.8
Highways and Streets	1,012,364	996,942	1.5
Health and welfare	93,150	100,219	(7.0)
Sanitation	893,311	910,869	(1.9)
Culture and Recreation	1,184,197	1,144,763	3.4
Capital outlay	620,664	594,693	4.4
Debt Service	198,359	201,247	(1.4)
	<hr/>	<hr/>	
	12,432,337	12,145,625	2.4
Operating transfers out	134,592	121,305	10.9
Total	<hr/>	<hr/>	
	\$12,566,929	\$12,266,93	2.4%

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

The most significant decrease in expenditures over the previous year was in the public safety, general government and culture and recreation areas. Generally, these increases were due to salary and benefit increases due to changes in personnel and earned time buyouts previously discussed, as well as increased equipment needs due to several years of level funded budgets.

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, 2013 amounted to \$38.9 million, net of accumulated depreciation, representing an increase of \$218 thousand over the previous year balance of \$38.6 million. The following summary shows a yearly comparison of net capital assets by category (see Note 8 in the Notes to the Basic Financial Statements for more detailed information):

	<u>2013</u>	<u>2012</u>
Infrastructure	\$18,543,135	\$18,179,034
Land and land improvements	12,720,698	12,704,182
Buildings and improvements	5,274,238	5,496,289
Vehicles and equipment	2,294,848	2,265,021
Construction in progress	30,000	0
Total capital assets, net	<u>\$38,862,919</u>	<u>\$38,644,526</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 2013 include:

- The Town acquired public safety equipment including replacement sets of self-contained breathing apparatus, Lifepak units and other equipment for the Fire Department totaling \$273 thousand. Additionally the Town acquired equipment for the Police Department including tasers, mobile radios and data terminals totaling \$115 thousand.
- The Town acquired land for \$124 thousand, purchased by the Conservation Commission.

Long-term Debt. At December 31, 2013, the Town of Windham had no outstanding bonded debt, as compared to \$207 thousand as of December 31, 2012. During the course of the year, a reduction in bonds of \$207 thousand was due to final payments made on the fire engine bond issued in 2011, as well as the Searles bond from 2003, which was fully funded out of the Searles Special Revenue Fund.

During 2013, the Town of Windham continued its leasing program by entering into a new three-year equipment lease to fund the purchase of Lifepak units and other equipment for the fire department. The total amount of new financing was \$78 thousand, while \$60 thousand remains due on all capital leases as of December 31, 2013. 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 2013 fiscal year increased 1.2% over the previous year (to \$2,065,724,410 in 2013 from \$2,042,007,370 in 2012) as the Town is continuing to experience some new building development.
- The total property taxes that were uncollected as of year-end, including liens and tax deeded property, amounted to \$2.9 million as of December 31, 2013, which is consistent with the total as of the prior year-end. Current year uncollected as a percentage of the total tax levy was 5.4% as of December 31, 2013, as compared to 4.3% in the prior year.

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

Several factors were taken into consideration as Town officials developed the budget for the 2013 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 and equipment.

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, 2013

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 20,169,331
Investments	88,138
Taxes receivables (net)	2,783,431
Account receivables (net)	230,588
Intergovernmental receivable	7,221
Prepaid items	16,604
Tax deeded property, subject to resale	12,088
Restricted assets:	
Cash and cash equivalents	564,476
Capital assets:	
Land and construction in progress	12,330,292
Other capital assets, net of depreciation	26,532,627
Total assets	62,734,796
LIABILITIES	
Accounts payable	172,043
Accrued salaries and benefits	119,304
Accrued interest payable	125
Intergovernmental payable	19,845,118
Other	253,012
Long-term liabilities:	
Due within one year	33,657
Due in more than one year	1,746,722
Total liabilities	22,169,981
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - Land use change taxes	146,500
NET POSITION	
Net investment in capital assets	38,803,322
Restricted	465,877
Unrestricted	1,149,116
Total net position	\$ 40,418,315

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, 2013

	Expenses	Program Revenues		Net (Expense) Revenue and Change In Net Position
		Charges for Services	Operating Grants and Contributions	
General government	\$ 3,289,053	\$ 11,052	\$ -	\$ (3,278,001)
Public safety	6,488,518	720,952	-	(5,767,566)
Highways and streets	2,185,445	-	272,719	(703,555)
Sanitation	887,164	72,512	-	(814,652)
Health	39,607	-	-	(39,607)
Welfare	53,543	3,260	-	(50,283)
Culture and recreation	1,686,932	120,394	-	(1,566,538)
Conservation	6,538	-	-	(6,538)
Interest on long-term debt	1,452	-	-	(1,452)
Capital outlay	64,651	-	-	(64,651)
Total governmental activities	<u>\$ 14,702,903</u>	<u>\$ 928,170</u>	<u>\$ 272,719</u>	<u>(12,292,843)</u>
General revenues:				
Taxes:				
Property				7,649,677
Other				254,760
Motor vehicle permit fees				2,969,648
Licenses and other fees				273,365
Grants and contributions not restricted to specific programs				674,619
Miscellaneous				1,238,685
Total general revenues				<u>13,060,754</u>
Change in net position				767,911
Net position, beginning				39,650,404
Net position, ending				<u>\$ 40,418,315</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, 2013

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 18,523,241	\$ 1,646,090	\$ 20,169,331
Investments	-	88,138	88,138
Accounts receivable (net)	159,141	71,447	230,588
Taxes receivable	2,878,431	-	2,878,431
Due from other governments	7,221	-	7,221
Interfund receivable	1,972	28,500	30,472
Prepaid items	16,604	-	16,604
Tax dedeed property, subject to resale	12,088	-	12,088
Restricted assets:			
Cash and cash equivalents	564,476	-	564,476
Total assets	\$ 22,163,174	\$ 1,834,175	\$ 23,997,349
LIABILITIES			
Accounts payable	\$ 167,474	\$ 4,569	\$ 172,043
Accrued salaries and benefits	119,304	-	119,304
Due to other governments	19,845,118	-	19,845,118
Interfund payable	28,500	1,972	30,472
Escrow and performance deposits	253,012	-	253,012
Total liabilities	20,413,408	6,541	20,419,949
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - Property taxes	2,196,172	-	2,196,172
Unavailable revenue - Land use change taxes	146,500	-	146,500
Total deferred inflows of resources	2,342,672	-	2,342,672
FUND BALANCES (DEFICIT)			
Nonspendable	28,692	292,107	320,799
Restricted	66,846	112,306	179,152
Committed	443,741	1,143,338	1,587,079
Assigned	234,960	279,883	514,843
Unassigned (deficit)	(1,367,145)	-	(1,367,145)
Total fund balances (deficit)	(592,906)	1,827,634	1,234,728
Total liabilities, deferred inflows of resources, and fund balances	\$ 22,163,174	\$ 1,834,175	\$ 23,997,349

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

EXHIBIT C-2
TOWN OF WINDHAM, NEW HAMPSHIRE
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2013

Total fund balances of governmental funds (Exhibit C-1)		\$ 1,234,728
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.		
Cost	\$ 72,197,960	
Less accumulated depreciation	<u>(33,335,041)</u>	
		38,862,919
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (30,472)	
Payables	<u>30,472</u>	
		-
Long term revenue (taxes) is not available to pay for current period expenditures, and therefore is deferred in the governmental funds.		
Deferred property taxes	\$ 2,196,172	
Allowance for uncollectible taxes	<u>(95,000)</u>	
		2,101,172
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(125)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Capital leases	\$ 59,597	
Compensated absences	1,199,958	
Other postemployment benefits	<u>520,824</u>	
		<u>(1,780,379)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ 40,418,315</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, 2013

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 7,774,938	\$ 249,878	\$ 8,024,816
Licenses and permits	3,243,013	-	3,243,013
Intergovernmental	947,338	-	947,338
Charges for services	452,543	475,627	928,170
Investment earnings	3,097	-	3,097
Miscellaneous	618,736	616,853	1,235,589
Total revenues	<u>13,039,665</u>	<u>1,342,358</u>	<u>14,382,023</u>
EXPENDITURES			
Current:			
General government	2,644,854	573,368	3,218,222
Public safety	5,982,861	345,454	6,328,315
Highways and streets	1,011,167	-	1,011,167
Sanitation	893,311	-	893,311
Health	39,607	-	39,607
Welfare	53,543	-	53,543
Culture and recreation	1,297,786	127,908	1,425,694
Conservation	-	6,538	6,538
Debt service:			
Principal	195,567	11,600	207,167
Interest	2,792	414	3,206
Capital outlay	620,664	125,602	746,266
Total expenditures	<u>12,742,152</u>	<u>1,190,884</u>	<u>13,933,036</u>
Excess of revenues over expenditures	<u>297,513</u>	<u>151,474</u>	<u>448,987</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,972	2,350	4,322
Transfers out	(2,350)	(1,972)	(4,322)
Capital lease inception	77,818	-	77,818
Total other financing sources (uses)	<u>77,440</u>	<u>378</u>	<u>77,818</u>
Net change in fund balances	374,953	151,852	526,805
Fund balances (deficit), beginning	(967,859)	1,675,782	707,923
Fund balances (deficit), ending	<u>\$ (592,906)</u>	<u>\$ 1,827,634</u>	<u>\$ 1,234,728</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, 2013

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 526,805
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense and capital asset disposals in the current period.</p>		
Capitalized capital outlay	\$ 2,305,792	
Capital asset disposals	(12,250)	
Depreciation expense	<u>(2,075,149)</u>	218,393
<p>Transfers in and out between governmental funds are eliminated on the Statement of Activities.</p>		
Transfers in	\$ (4,322)	
Transfers out	<u>4,322</u>	-
<p>Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.</p>		
Change in deferred tax revenue	\$ (25,380)	
Allowance for uncollectible property taxes	<u>(95,000)</u>	(120,380)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.</p>		
Capital lease inception	\$ (77,818)	
Repayment of bond principal	207,167	
Repayment of capital leases	<u>112,840</u>	242,189
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.</p>		
Decrease in accrued interest expense	\$ 1,755	
Increase in compensated absences payable	(46,187)	
Increase in other postemployment benefits payable	<u>(54,665)</u>	(99,097)
Change in net position of governmental activities (Exhibit B)		<u><u>\$ 767,910</u></u>

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

EXHIBIT D
TOWN OF WINDHAM, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
REVENUES				
Taxes	\$ 7,516,805	\$ 7,516,805	\$ 7,654,559	\$ 137,754
Licenses and permits	3,098,000	3,098,000	3,243,013	145,013
Intergovernmental	1,068,446	1,068,446	947,338	(121,108)
Charges for services	394,310	394,310	452,543	58,233
Investment earnings	3,500	3,500	3,097	(403)
Miscellaneous	312,398	568,275	560,686	(7,589)
Total revenues	<u>12,393,459</u>	<u>12,649,336</u>	<u>12,861,236</u>	<u>211,900</u>
EXPENDITURES				
Current:				
General government	2,528,225	2,651,604	2,563,979	87,625
Public safety	5,725,010	5,829,905	5,866,313	(36,408)
Highways and streets	1,154,770	1,159,439	1,012,364	147,075
Sanitation	931,675	939,954	893,311	46,643
Health	51,840	51,840	39,607	12,233
Welfare	57,040	57,040	53,543	3,497
Culture and recreation	1,293,920	1,226,333	1,184,197	42,136
Debt service:				
Principal	195,567	195,567	195,567	-
Interest	3,356	3,356	2,792	564
Capital outlay	837,467	837,467	620,664	216,803
Total expenditures	<u>12,778,870</u>	<u>12,952,505</u>	<u>12,432,337</u>	<u>520,168</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(385,411)</u>	<u>(303,169)</u>	<u>428,899</u>	<u>732,068</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,350	1,350	1,972	622
Transfers out	(52,350)	(134,592)	(134,592)	-
Total other financing sources (uses)	<u>(51,000)</u>	<u>(133,242)</u>	<u>(132,620)</u>	<u>622</u>
Net change in fund balance	<u>\$ (436,411)</u>	<u>\$ (436,411)</u>	296,279	<u>\$ 732,690</u>
Increase in nonspendable fund balance			(7,603)	
Increase in committed fund balance			(206,611)	
Decrease in assigned (nonencumbrance) fund balance			15,000	
Unassigned fund balance, beginning, as restated (see Note 17)			636,961	
Unassigned fund balance, ending			<u>\$ 734,026</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 Fiduciary Net Position
December 31, 2013

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	\$ 28,010	\$ 652,167
LIABILITIES		
Due to other governmental units	-	229,295
Due to others	-	422,872
Total liabilities	-	652,167
NET POSITION		
Held in trust for specific purposes	\$ 28,010	\$ -

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

EXHIBIT E-2
TOWN OF WINDHAM, NEW HAMPSHIRE
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended December 31, 2013

	Private Purpose Trust
ADDITIONS	
Interest	\$ 4
DEDUCTIONS	
Expenses	3
Change in net position	1
Net position, beginning	28,009
Net position, ending	\$ 28,010

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, 2013

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TOWN OF WINDHAM, NEW HAMPSHIRE
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TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Windham, New Hampshire (the Town), have been prepared in conformity with 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; or (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 Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed 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 demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

1-C Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements, except for agency funds which do not have a measurement focus. 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013

current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for State shared revenue, reimbursement-based grants and interest which use one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, licenses and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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 a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements, and donations is recognized in the year in which all 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 specific purpose, and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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.

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

Additionally, the Town reports the following fund types:

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

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

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.

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.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383:22. Funds may be deposited in banks outside of the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations to the State of New Hampshire in value at least equal to the amount of the deposit in each case.

1-E Restricted Assets

Cash received for developer's performance bond deposits and certain cash balances blended within the general fund 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 types of obligations:

- Obligations of the United States government,
- The public deposit investment pool established pursuant to RSA 383:22,
- Savings bank deposits,
- Certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the State treasurer.

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, billing for charges, intergovernmental amounts, and other user fees.

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, and expenses as the items are used.

1-J Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements.

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.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013

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:

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

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

1-K Deferred Inflows of Resources

In addition to liabilities, the Statement of Net 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.

1-L Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year. Billings for the year were on May 30, 2013 and November 4, 2013. 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, 2013 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 2,050,306,410
For all other taxes	\$ 2,065,724,410

The tax rates and amounts assessed for the year ended December 31, 2013 were as follows:

	<u>Per \$1,000 of Assessed Valuation</u>	<u>Property Taxes Assessed</u>
Municipal portion	\$3.70	\$ 7,649,619
School portion:		
State of New Hampshire	\$2.44	5,006,733
Local	\$16.37	33,813,000
County portion	\$1.09	2,244,125
Precinct portions:		
Breezy Gale	\$1.08	14,011
Moeckel Pond Village	\$0.42	2,129
Total		<u>\$ 48,729,617</u>

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1-M 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 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-N Long-Term Obligations

In the government-wide financial statements, long-term debt, capital leases, compensated absences, and other postemployment benefits are reported as liabilities in the applicable governmental activities Statement of Net Position.

1-O 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 an expense when the related liabilities are incurred. There were no significant claims or judgments at year-end.

1-P Interfund Activities

Interfund activities are reported as follows:

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

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

1-Q Net Position/Fund Balance Reporting

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

- a) *Net investment in capital assets* – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any capital leases that are attributable to the acquisition, construction, or improvement of those assets.
- b) *Restricted net position* – Consists of net position 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 position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Balance Classifications - The fund balance of governmental funds is reported in five 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).

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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.

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.

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.

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. This classification also includes the remaining positive fund balance for all governmental funds, except for those that are restricted and the general fund.

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

When multiple net position/fund balance classifications are available for use, it is the government's policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last. The Town's fund balance policy requires the maintenance of a minimum level of unassigned fund balance at \$300,000 annually.

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 fund, as well as the the nonmajor Searles and conservation commission 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, the minimum level of \$300,000 of unassigned fund balance was retained; the balance, or \$436,411, was applied to the 2013 budget.

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)	\$ 12,863,208
Adjustment:	
Basis difference:	
Inception of capital lease	77,818
GASB Statement No. 54:	
To record miscellaneous income of the blended funds	58,049
Change in deferred tax revenue relating to 60-day revenue recognition	25,380
Change in allowance for uncollectible property taxes	95,000
Per Exhibit C-3 (GAAP basis)	<u>\$ 13,119,455</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 12,566,929
Adjustment:	
Basis differences:	
Encumbrances, beginning	173,536
Encumbrances, ending	(117,639)
Inception of capital lease	77,818
GASB Statement No. 54:	
To record expenditures of the blended funds	176,100
To eliminate transfers between general and expendable trust funds	(132,242)
Per Exhibit C-3 (GAAP basis)	<u>\$ 12,744,502</u>

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The Town's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held by the Town's agent in the Town's name. The FDIC currently insures the first \$250,000 of the Town's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by the collateral. As of year-end, the carrying amount of the Town's deposits was \$21,413,984 and the bank balances totaled \$21,633,882. Petty cash totaled \$950.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 20,733,807
Cash per Statement of Fiduciary Net Position (Exhibit E-1)	680,177
Total cash and cash equivalents	<u>\$ 21,413,984</u>

NOTE 4 – INVESTMENTS

Note 1-F describes statutory requirements covering the investment of the Town's funds. The Town also maintains a portfolio consisting of common stocks that are reported at fair value, based on quoted market prices. As of December 31, 2013 the Town had \$88,138 invested in common stock.

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.

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NOTE 5 – RESTRICTED CASH

Certain cash balances in the general fund belong to funds which have been blended with the general fund in accordance with the requirements of GASB Statement No. 54. Additionally, certain cash deposits held for developers are classified as restricted because of the statutory limitations placed on their use as they are earmarked for a specific purpose. Restricted cash balances as of December 31, 2013 are as follows:

Cash and cash equivalents:	
General fund:	
Library	\$ 61,465
Expendable trust	237,130
Law enforcement	970
Exaction fee	11,351
Searles donation fund	5,382
Escrow and performance deposits	<u>248,178</u>
Total restricted cash	<u>\$ 564,476</u>

NOTE 6 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2013. The amount has been reduced by an allowance for an estimated uncollectible amount of \$95,000. Taxes receivable by year are as follows:

	Full Accrual Basis of Accounting (Exhibit A)	Modified Accrual Basis of Accounting (Exhibit C-1)
Property:		
Levy of 2013	\$ 1,790,837	\$ 1,790,837
Unredeemed (under tax lien):		
Levy of 2012	580,192	580,192
Levy of 2011	276,924	276,924
Levies of 2010 and prior	83,978	83,978
Land use change	146,500	146,500
Less: allowance for estimated uncollectible taxes *	<u>(95,000)</u>	<u>-</u>
Net taxes receivable	<u>\$ 2,783,431</u>	<u>\$ 2,878,431</u>

*The allowance for estimated uncollectible taxes is eliminated on Exhibit C-1 due to the deferral of taxes not collected within 60 days of the fiscal year-end.

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TOWN OF WINDHAM, NEW HAMPSHIRE
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NOTE 7 – OTHER RECEIVABLES

Receivables at December 31, 2013, consisted of accounts (billings for police details, ambulance, and other user charges) and intergovernmental amounts arising from grants. Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

Receivables as of December 31, 2013 for the Town's individual major general fund and nonmajor funds in the aggregate including applicable allowances for uncollectible accounts are as follows:

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:			
Accounts	\$ 179,141	\$ 71,447	\$ 250,588
Intergovernmental	7,221	-	7,221
Gross receivables	<u>186,362</u>	<u>71,447</u>	<u>257,809</u>
Less: allowance for uncollectibles	<u>(20,000)</u>	<u>-</u>	<u>(20,000)</u>
Net total receivables	<u>\$ 166,362</u>	<u>\$ 71,447</u>	<u>\$ 237,809</u>

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 consisted of the following:

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance, ending</u>
At cost:				
Not being depreciated:				
Land	\$ 12,188,442	\$ 124,100	\$ (12,250)	\$ 12,300,292
Construction in progress	-	30,000	-	30,000
Total capital assets not being depreciated	<u>12,188,442</u>	<u>154,100</u>	<u>(12,250)</u>	<u>12,330,292</u>
Being depreciated:				
Land improvements	1,624,337	15,000	-	1,639,337
Buildings and building improvements	9,088,078	7,950	-	9,096,028
Vehicles and equipment	4,774,797	449,320	(130,070)	5,094,047
Infrastructure	42,358,834	1,679,422	-	44,038,256
Total capital assets being depreciated	<u>57,846,046</u>	<u>2,151,692</u>	<u>(130,070)</u>	<u>59,867,668</u>
Total all capital assets	<u>70,034,488</u>	<u>2,305,792</u>	<u>(142,320)</u>	<u>72,197,960</u>
Less accumulated depreciation:				
Land improvements	(1,108,597)	(110,334)	-	(1,218,931)
Buildings and building improvements	(3,591,789)	(230,001)	-	(3,821,790)
Vehicles and equipment	(2,509,776)	(419,493)	130,070	(2,799,199)
Infrastructure	(24,179,800)	(1,315,321)	-	(25,495,121)
Total accumulated depreciation	<u>(31,389,962)</u>	<u>(2,075,149)</u>	<u>130,070</u>	<u>(33,335,041)</u>
Net book value, capital assets being depreciated	<u>26,456,084</u>	<u>76,543</u>	<u>-</u>	<u>26,532,627</u>
Net book value, all capital assets	<u>\$ 38,644,526</u>	<u>\$ 230,643</u>	<u>\$ (12,250)</u>	<u>\$ 38,862,919</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	\$ 35,179
Public safety	322,831
Highways and streets	1,432,940
Sanitation	100,067
Culture and recreation	184,132
Total depreciation expense	<u>\$ 2,075,149</u>

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NOTE 9 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of December 31, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor	\$ 1,972
Nonmajor	General	28,500
		\$ 30,472

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

Interfund Transfers - The composition of interfund transfers for the year ended December 31, 2013 is as follows:

	Transfers In:		
	General Fund	Nonmajor Fund	Total
Transfers out:			
General fund	\$ -	\$ 2,350	\$ 2,350
Nonmajor fund	1,972	-	1,972
Total	\$ 1,972	\$ 2,350	\$ 4,322

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, 2013 consist of:

General fund:	
Balance of the 2013-2014 district assessment due to Windham School District	\$ 19,819,733
Fees due to the State of New Hampshire	25,385
Total intergovernmental payables	\$ 19,845,118

NOTE 11 – DEFERRED INFLOWS OF RESOURCES

Deferred inflows of \$2,342,672 in the general fund at December 31, 2013 consist of the following:

Property taxes not collected within 60 days of the fiscal year end	\$ 2,196,172
Land use change taxes not collected within 60 days of the fiscal year-end	146,500
Total deferred inflows of resources	\$ 2,342,672

NOTE 12 – 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.

	Standard Interest Rate	Present Value of Remaining Payments as of December 31, 2013
Capital lease obligations:		
Vehicles - Police	2.19%	\$ 7,718
Equipment - Fire	0.00%	51,879
Total capital lease obligations		\$ 59,597

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Leased equipment under capital leases, included in capital assets, is as follows:

	Governmental Activities
Equipment:	
Police cruiser	\$ 23,156
Fire equipment	77,818
Total equipment	100,974
Less: accumulated depreciation	(19,164)
Total capital leased equipment	\$ 81,810

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

The annual requirements to amortize the capital leases payable as of December 31, 2013, including interest payments, are as follows:

Fiscal Year Ending December 31,	Governmental Activities
2014	\$ 33,929
2015	25,939
Total requirements	59,868
Less: interest	(271)
Present value of remaining payments	\$ 59,597

NOTE 13 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended December 31, 2013:

	Balance January 1, 2013	Additions	Reductions	Balance December 31, 2013	Due Within One Year
General obligation bonds payable	\$ 207,167	\$ -	\$ (207,167)	\$ -	\$ -
Capital leases	94,619	77,818	(112,840)	59,597	33,657
Compensated absences	1,153,771	673,776	(627,589)	1,199,958	-
Net other postemployment benefits	466,159	54,665	-	520,824	-
Total long-term liabilities	\$ 1,921,716	\$ 806,259	\$ (947,596)	\$ 1,780,379	\$ 33,657

Long term liabilities payable are comprised of the following:

	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2013	Current Portion
Capital leases payable:					
Vehicles - Police	2012	2014	2.19%	\$ 7,718	\$ 7,718
Equipment - Fire	2013	2015	0.00%	51,879	25,939
				59,597	33,657
Compensated absences payable:					
Earned time				1,199,958	-
Total				\$ 1,259,555	\$ 33,657

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

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NOTE 14 – ENCUMBRANCES

Encumbrances outstanding at December 31, 2013 are as follows:

General fund:	
General government	\$ 21,025
Public safety	3,200
Highways and streets	91,574
Culture and recreation	1,840
Total encumbrances	<u>\$ 117,639</u>

NOTE 15 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide Statement of Net Position at December 31, 2013 include the following:

Net investment in capital assets:	
Net property, buildings, and equipment	\$ 38,862,919
Less:	
Capital leases payable	<u>(59,597)</u>
Total net investment in capital assets	<u>38,803,322</u>
Restricted for:	
Library	61,464
Trust purposes	380,866
Police forfeitures	<u>23,547</u>
Total restricted net position	<u>465,877</u>
Unrestricted	<u>1,149,116</u>
Total net position	<u>\$ 40,418,315</u>

NOTE 16 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2013 include the following:

Nonspendable:

Major fund:	
General:	
Prepaid items	\$ 16,604
Tax deeded property subject to resale	<u>12,088</u>
	<u>28,692</u>
Nonmajor fund:	
Permanent - principal balance	<u>292,107</u>
Total nonspendable fund balance	\$ 320,799

Restricted:

Major fund:	
General:	
Searles donation	\$ 5,382
Library	<u>61,464</u>
	66,846
Nonmajor fund:	
Public safety- asset forfeiture	23,547
Permanent - income balance	<u>88,759</u>
	<u>112,306</u>
Total restricted fund balance	179,152

(continued)

TOWN OF WINDHAM, NEW HAMPSHIRE
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Governmental fund balances continued:

Committed:		
Major fund:		
General:		
Expendable trust	\$ 237,130	
Non-lapsing appropriations	206,611	
	<u>443,741</u>	
Nonmajor funds:		
Public safety- details	153,990	
Culture and recreation	30,807	
Conservation	670,040	
Health expendable trust	164,469	
Public safety - impact fees	116,094	
Culture and recreation - searles fund	7,938	
	<u>1,143,338</u>	
Total committed fund balance		1,587,079
Assigned:		
Major fund:		
General:		
Encumbrances	\$ 117,639	
Abatements	105,000	
Public safety	12,321	
	<u>234,960</u>	
Nonmajor fund:		
Cable expendable trust	279,883	
Total assigned fund balance		514,843
Unassigned:		
Major fund:		
General (deficit)		<u>(1,367,145)</u>
Total governmental fund balances		<u><u>\$ 1,234,728</u></u>

NOTE 17 – PRIOR PERIOD ADJUSTMENT

Fund balance at January 1, 2013 was restated to give retroactive effect to the following prior period adjustment:

	General Fund
	Schedule 3
	(Budgetary)
To record accrued payroll at December 31, 2012	<u>\$ (99,450)</u>
Fund balance, as previously reported	736,411
Fund balance, as restated	<u><u>\$ 636,961</u></u>

NOTE 18 – 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, 2013, the Town held performance deposits totaling \$3,523,579.

NOTE 19 – 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

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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 2013 were \$1,387,820 for health insurance premiums, \$168,866 for non-covered employee claims as a result of higher deductibles and \$3,827 for administrative expenses. Claims are reviewed by an outside claims administrator and then paid by the Town. At December 31, 2013 the unexpended balance of the health insurance expendable trust fund is \$169,038. Outstanding claims payable at December 31, 2013 totaled \$4,570.

During the fiscal year the Town received a return of surplus from the Local Government Center. A check for \$162,442 and a reduction of premiums paid of \$78,846 were received for a total of \$241,288. Of the total received \$72,752 was paid back to active and retired employees. The remaining \$168,536 is shown as insurance reimbursement revenue in the general fund.

NOTE 20 – DEFICIT FUND BALANCES

The general fund had a deficit fund balance of \$592,906 at December 31, 2013 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 \$2,196,172.

NOTE 21 – 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 2013, 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 2013 for pension and medical subsidy were as follows;

Period	Police	Fire	All Other Employees
January 1, 2013 thru June 30, 2013	19.95%	22.89%	8.80%
July 1, 2013 thru December 31, 2013	25.30%	27.74%	10.77%

The contribution requirements for the Town of Windham for the fiscal years 2011, 2012, and 2013 were \$839,489, \$887,473, and \$1,040,447, 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 65. 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 2013 were \$2,140,162, 33.2% of total wages of \$6,429,880. Employee contributions including additional voluntary contributions, to the plan were \$92,736, or 1.4% of covered wages. Employer contributions to the plan were \$107,009 or 1.7% 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 Transamerica Retirement Solutions.

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NOTE 22 – 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, terminated employees, 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 109 participants currently eligible. Expenses for the postretirement health care benefits are recognized as eligible employee claims are paid.

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 2013, 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 2013:

Annual required contribution/OPEB cost	\$ 110,815
Contributions made (pay-as-you-go)	<u>(56,150)</u>
Increase in net OPEB obligation	54,665
Net OPEB obligation, beginning	<u>466,159</u>
Net OPEB obligation, ending	<u><u>\$ 520,824</u></u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2013 was as follows:

Fiscal Year Ended	Annual OPEB Contribution Cost	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
December 31, 2012	\$ 98,590	\$ 69,241	70.23%	\$ 466,159
December 31, 2013	\$ 99,836	\$ 110,815	111.00%	\$ 520,824

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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For the fiscal year ended December 31, 2013, the actuarial accrued liability (AAL) for benefits was \$1,531,735, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,531,735. The covered payroll (annual payroll of active employees covered by the plan) was \$4,642,642, and the ratio of the UAAL to the covered payroll was 33%.

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, 2013 was 29 years.

NOTE 23 – 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 2013, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs. This entity is considered a public entity risk pool, 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, 2013 to December 31, 2013 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 net contribution from the Town of Windham billed and paid for the year ended December 31, 2013 was \$141,134 for workers' compensation and \$116,222 for property/liability. The Town also received a premium holiday for workers' compensation in the amount of \$87,341 during the year.

NOTE 24 – 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 25 – DONATION

The Town received non-monetary donations during 2013 from developers in the form of roads donated to the Town. The value of the donated road was \$1,209,171 and these roads are now considered a capital asset of the Town.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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DECEMBER 31, 2013

NOTE 26 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

The following GASB pronouncements were implemented by the Town for the fiscal year ended December 31, 2013. Only GASB Statement No. 65 impacted these financial statements:

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus and Amendments of GASB Statements No. 14 and No. 34*, issued November 2010. 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. 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. This Statement is intended to resolve conflicting accounting and financial report and guidance that emerged from two recent standards, Statement No. 54 and Statement No. 62. These standards conflicted with existing guidance in Statements No. 10, 13, and 48.

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. 67, *Financial Reporting for Pension Plans*, issued in June 2012, will be effective for the Town beginning with its fiscal year ending December 31, 2015. **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, 2015. The guidance contained in these two Statements will change how governments calculate and report the costs and obligations associated with pensions in important ways. They replace 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, 2015. 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. 69, *Government Combinations and Disposals of Government Operations*, issued in January 2013, will be effective for the Town beginning with its fiscal year ending December 31, 2014. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations that have been transferred or sold.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, issued in April 2013, will be effective for the Town beginning with the fiscal year ending December 31, 2014. The objective of this statement is to improve accounting and financial reporting by governments that extend and receive nonexchange financial guarantees.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date- An Amendment of GASB Statement No. 68*, issued in November 2013, will be effective for the Town beginning with its fiscal year ending December 31, 2015. The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting, and Financial Reporting for Pensions*, and is required to be applied simultaneously with the provisions of that Statement.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013

NOTE 27 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through July 14, 2014, the date the December 31, 2013 financial statements were available to be issued, and the following items were noted:

Capital Lease Inception – The Town of Windham entered into a capital lease agreement for a 2014 highway loader. The value of the lease is \$89,770, with principal and interest payments beginning in 2014. In addition, in June 2014 the Town also entered into two municipal lease agreements, both for three year terms at a rate of 2.47%. The first agreement is in the amount of \$220,000 for an ambulance and related equipment, and the second is in the amount of \$220,558, which is for five police cruisers and related equipment, as well as a fire department utility truck.

Tax Anticipation Note Line of Credit – The Board of Selectmen gave authorization to enter into a tax anticipation note arrangement with Enterprise Bank for an amount up to \$2,000,000. With the following terms, a variable interest rate equal to the taxable equivalent yield of the prevailing wall street journal prime plus 1.25%, further payable on balances drawn between June 1st and July 31st and November 1st and December 31st, with final maturity of December 31, 2014. In addition with a vote of the Board of Selectmen, the Town may renew the line of credit for an additional year.

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, 2013

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%	\$ 4,688,407	31.90%
January 1, 2009	\$ -	\$ 1,421,597	\$ 1,421,597	0.00%	\$ 4,525,505	31.41%

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, 2013

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, 2013.

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, 2013

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 7,304,877	\$ 7,321,473	\$ 16,596
Timber	500	753	253
Payment in lieu of taxes	11,428	11,623	195
Interest and penalties on taxes	200,000	320,710	120,710
Total from taxes	<u>7,516,805</u>	<u>7,654,559</u>	<u>137,754</u>
Licenses, permits, and fees:			
Motor vehicle permit fees	2,850,000	2,969,648	119,648
Building permits	172,000	192,741	20,741
Other	76,000	80,624	4,624
Total from licenses, permits, and fees	<u>3,098,000</u>	<u>3,243,013</u>	<u>145,013</u>
Intergovernmental:			
State:			
Meals and rooms distribution	617,641	617,641	-
Highway block grant	273,393	272,719	(674)
Other	177,412	56,978	(120,434)
Total from intergovernmental	<u>1,068,446</u>	<u>947,338</u>	<u>(121,108)</u>
Charges for services:			
Income from departments	<u>394,310</u>	<u>452,543</u>	<u>58,233</u>
Miscellaneous:			
Sale of municipal property	42,400	17,314	(25,086)
Interest on investments	3,500	3,097	(403)
Franchise fees	235,000	237,788	2,788
Rent of property	3,500	3,950	450
Fines and forfeits	750	905	155
Insurance dividends and reimbursements	261,877	274,673	12,796
Other	24,748	26,056	1,308
Total from miscellaneous	<u>571,775</u>	<u>563,783</u>	<u>(7,992)</u>
Other financing sources:			
Transfers in	<u>1,350</u>	<u>1,972</u>	<u>622</u>
Total revenues and other financing sources	12,650,686	<u>\$ 12,863,208</u>	<u>\$ 212,522</u>
Unassigned fund balance used to reduce tax rate	436,411		
Total revenues, other financing sources, and use of fund balance	<u>\$ 13,087,097</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, 2013

	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	-	15,620	13,488	-	2,132
Financial administration	16,612	895,813	864,270	17,825	30,330
Revaluation of property	-	207,624	198,559	-	9,065
Legal	-	52,400	60,412	-	(8,012)
Information technology	6,022	205,871	205,994	-	5,899
Community development	2,000	463,677	435,103	-	30,574
General government buildings	10,795	446,327	473,969	-	(16,847)
Cemeteries	3,200	41,200	33,227	3,200	7,973
Insurance, not otherwise allocated	-	305,661	273,205	-	32,456
Searles buildings	1,000	13,250	14,873	-	(623)
Other	-	471	6,253	-	(5,782)
Total general government	<u>39,629</u>	<u>2,651,604</u>	<u>2,582,583</u>	<u>21,025</u>	<u>87,625</u>
Public safety:					
Police	30,980	2,477,804	2,520,879	1,600	(13,695)
Fire	10,950	2,941,458	2,994,278	1,600	(43,470)
Emergency management	-	6,400	4,183	-	2,217
Dispatching	-	404,243	385,703	-	18,540
Total public safety	<u>41,930</u>	<u>5,829,905</u>	<u>5,905,043</u>	<u>3,200</u>	<u>(36,408)</u>
Highways and streets:					
Highways and streets	90,377	1,144,499	996,341	91,574	146,961
Street lighting	-	14,940	14,826	-	114
Total highways and streets	<u>90,377</u>	<u>1,159,439</u>	<u>1,011,167</u>	<u>91,574</u>	<u>147,075</u>
Sanitation:					
Solid waste disposal	-	939,954	893,311	-	46,643
Health:					
Administration	-	31,775	23,120	-	8,655
Pest control	-	20,065	16,487	-	3,578
Total health	<u>-</u>	<u>51,840</u>	<u>39,607</u>	<u>-</u>	<u>12,233</u>
Welfare:					
Direct assistance	-	57,040	53,543	-	3,497
Culture and recreation:					
Parks and recreation	1,600	194,156	192,105	-	3,651
Library	-	923,539	890,022	-	33,517
Other	-	108,638	101,830	1,840	4,968
Total culture and recreation	<u>1,600</u>	<u>1,226,333</u>	<u>1,183,957</u>	<u>1,840</u>	<u>42,136</u>
Debt service:					
Principal of long-term debt	-	195,567	195,567	-	-
Interest on long-term debt	-	2,856	2,792	-	64
Interest on tax anticipation notes	-	500	-	-	500
Total debt service	<u>-</u>	<u>198,923</u>	<u>198,359</u>	<u>-</u>	<u>564</u>
Capital outlay	-	837,467	620,664	-	216,803
Other financing uses:					
Transfers out	-	134,592	134,592	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 173,536</u>	<u>\$ 13,087,097</u>	<u>\$ 12,622,826</u>	<u>\$ 117,639</u>	<u>\$ 520,168</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, 2013

Unassigned fund balance, beginning, as restated (see Note 17)		\$ 636,961
Changes:		
Unassigned fund balance used to reduce 2013 tax rate		(436,411)
2013 Budget summary:		
Revenue surplus (Schedule 1)	\$ 212,522	
Unexpended balance of appropriations (Schedule 2)	<u>520,168</u>	
2013 Budget surplus		732,690
Increase in nonspendable fund balance		(7,603)
Increase in committed fund balance		(206,611)
Decrease in assigned (nonencumbrance) fund balance		<u>15,000</u>
Unassigned fund balance, ending, non-GAAP budgetary basis		<u>734,026</u>
<i>Reconciliation of Non-GAAP Basis to GAAP Basis</i>		
To comply with generally accepted accounting principles by deferring property taxes not collected within 60 days of December 31, 2013		(2,196,171)
Elimination of the allowance for doubtful accounts as part of the 60-day calculation		<u>95,000</u>
Unassigned fund balance, ending GAAP basis (Exhibit C-1) (deficit)		<u><u>\$ (1,367,145)</u></u>

SCHEDULE 4
TOWN OF WINDHAM, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2013

	Special Revenue Funds										Total
	Public Safety Detail	Recreation Revolving	Police Forfeiture	Land Purchase Conservation	Cable and Health Expendable Trusts	Public Safety Impact Fees	Searies Fund	Permanent Fund			
ASSETS											
Cash and cash equivalents	\$ 82,543	\$ 30,807	\$ 23,547	\$ 641,540	\$ 448,921	\$ 116,094	\$ 7,938	\$ 294,700		\$ 1,646,090	
Investments	-	-	-	-	-	-	-	88,138		88,138	
Accounts receivable	71,447	-	-	-	-	-	-	-		71,447	
Interfund receivable	-	-	-	28,500	-	-	-	-		28,500	
Total assets	\$ 153,990	\$ 30,807	\$ 23,547	\$ 670,040	\$ 448,921	\$ 116,094	\$ 7,938	\$ 382,838		\$ 1,834,175	
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 4,569	\$ -	\$ -	\$ -		\$ 4,569	
Interfund payable	-	-	-	-	-	-	-	1,972		1,972	
Total liabilities	-	-	-	-	4,569	-	-	1,972		6,541	
Fund balances:											
Nonspendable	-	-	-	-	-	-	-	292,107		292,107	
Restricted	-	-	23,547	-	-	-	-	88,759		112,306	
Committed	153,990	30,807	-	670,040	164,469	116,094	7,938	-		1,143,338	
Assigned	-	-	-	-	279,883	-	-	-		279,883	
Total fund balances	153,990	30,807	23,547	670,040	444,352	116,094	7,938	380,866		1,827,634	
Total liabilities and fund balances	\$ 153,990	\$ 30,807	\$ 23,547	\$ 670,040	\$ 448,921	\$ 116,094	\$ 7,938	\$ 382,838		\$ 1,834,175	

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, 2013

	Special Revenue Funds										Total
	Public Safety Detail	Recreation Revolving	Police Forfeiture	Land Purchase Conservation	Cable and Health Expendable Trusts	Public Safety Impact Fees	Searles Fund	Permanent Fund			
Revenues:											
Taxes	\$ -	\$ -	\$ -	\$ 249,878	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 249,878
Charges for services	358,483	117,144	-	-	-	-	-	-	-	-	475,627
Miscellaneous	20	4	22,328	833	466,279	68,236	27,088	32,065	32,065	32,065	616,853
Total revenues	<u>358,503</u>	<u>117,148</u>	<u>22,328</u>	<u>250,711</u>	<u>466,279</u>	<u>68,236</u>	<u>27,088</u>	<u>32,065</u>	<u>32,065</u>	<u>32,065</u>	<u>1,342,358</u>
Expenditures:											
Current:											
General government	-	-	-	-	560,526	-	12,491	351	351	351	573,368
Public safety	337,219	-	6,614	-	-	1,621	-	-	-	-	345,454
Culture and recreation	-	115,145	-	-	12,762	-	-	-	-	-	127,907
Conservation	-	-	-	6,538	-	-	-	-	-	-	6,538
Debt service:											
Principal	-	-	-	-	-	-	11,600	-	-	-	11,600
Interest	-	-	-	-	-	-	414	-	-	-	414
Capital outlay	-	-	-	125,602	-	-	-	-	-	-	125,602
Total expenditures	<u>337,219</u>	<u>115,145</u>	<u>6,614</u>	<u>132,140</u>	<u>573,288</u>	<u>1,621</u>	<u>24,505</u>	<u>351</u>	<u>351</u>	<u>351</u>	<u>1,190,883</u>
Excess (deficiency) of revenues over (under) expenditures	21,284	2,003	15,714	118,571	(107,009)	66,615	2,583	31,714	31,714	31,714	151,475
Other financing sources (uses):											
Transfers in	-	-	-	2,350	-	-	-	-	-	-	2,350
Transfers out	-	-	-	-	-	-	-	(1,972)	(1,972)	(1,972)	(1,972)
Total other financing sources (uses)	-	-	-	2,350	-	-	-	-	-	-	378
Net change in fund balances	21,284	2,003	15,714	120,921	(107,009)	66,615	2,583	29,742	29,742	29,742	151,853
Fund balances, beginning	132,706	28,804	7,833	549,119	551,361	49,479	5,355	351,124	351,124	351,124	1,675,781
Fund balances, ending	<u>\$ 153,990</u>	<u>\$ 30,807</u>	<u>\$ 23,547</u>	<u>\$ 670,040</u>	<u>\$ 444,352</u>	<u>\$ 116,094</u>	<u>\$ 7,938</u>	<u>\$ 380,866</u>	<u>\$ 380,866</u>	<u>\$ 380,866</u>	<u>\$ 1,827,634</u>