

**TOWN OF WINDHAM,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016**

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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

We have audited the accompanying financial statements of the governmental activities, major fund, and aggregate remaining fund information of the Town of Windham as of and for the year ended December 31, 2016, 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 from 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 aggregate remaining fund information of the Town of Windham, as of December 31, 2016, and the respective changes in financial position and, the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1-F to the basic financial statements, effective January 1, 2016 the Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement, and Application*. As a result of the implementation of GASB Statement No. 72, the Town disclosed its investments in accordance with the fair value hierarchy. Our opinions are not modified with respect to this matter.

*Town of Windham
Independent Auditor's Report*

Other Matters

Required Supplementary Information – Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Funding Progress for Other Postemployment Benefit Plan, Schedule of Town's Proportionate Share of Net Pension Liability, and Schedule of Town Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Plodzik & Sanderson
Professional Association*

November 17, 2017

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, 2016. 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, deferred outflows of resources, liabilities and deferred inflows of resources with the net total 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.

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

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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, schedule of the Town's proportionate share of net pension liability, and schedule of Town contributions.

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 \$26.2 million at the end of 2016, which represents a decrease of \$1.4 million, or 4.95%, as compared to the end of the previous year.

Statement of Net Position

The following is a summary of condensed government-wide financial data showing net position as of December 31, 2016 and December 31, 2015:

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

		12/31/2016	12/31/2015	% Change
Cash, receivables & other assets		23,522,890	23,971,919	-1.87%
Capital assets, net		37,958,555	38,681,536	-1.87%
	Total Assets	61,481,445	62,653,455	-1.87%
Deferred outflows of resources		4,150,509	943,987	339.68%
Accrued liabilities & payables		19,973,572	19,883,451	0.45%
Bonds, leases & long-term liabilities		19,215,660	15,500,564	23.97%
	Total Liabilities	39,189,232	35,384,015	10.75%
Deferred inflows of resources		243,438	648,590	-62.47%
Net position:				
Net investment in capital assets		37,649,158	37,745,269	-0.25%
Restricted		507,982	478,855	6.08%
Unrestricted		(11,957,856)	(10,659,287)	-12.18%
	Total Net Position	26,199,284	27,564,837	-4.95%

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 (\$37.6 million) is net of any related debt incurred to acquire those assets. 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 (\$508 thousand or 1.9%) 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 library funds and the balances of governmental funds that are restricted for other uses (refer to Note 19 for further details). The remaining portion (-\$12.0 million or -45.6%) of the net position is unrestricted.

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, 2016 and December 31, 2015:

		12/31/2016	12/31/2015	% Change
Program revenues:				
Charges for services		1,234,198	1,212,701	1.77%
Operating grants and contributions		329,405	302,491	8.90%
	Total program	1,563,603	1,515,192	3.20%
General revenues:				
Property & other taxes		7,141,183	8,078,413	-11.60%
Licenses & permits		3,906,453	3,668,544	6.49%
Grants & contributions		940,606	751,761	25.12%

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

Other general revenues		1,093,078	902,920	21.06%
	Total general	13,081,320	13,401,638	-2.39%
	Total revenues	14,644,923	14,916,830	-1.82%
Program expenses:				
General government		3,502,860	3,369,321	3.96%
Public safety		7,553,678	6,907,177	9.36%
Highways and streets		2,097,849	1,924,816	8.99%
Health and welfare		60,063	66,688	-9.93%
Sanitation		994,394	902,920	10.13%
Culture, recreation, conservation		1,788,078	1,681,864	6.32%
Interest		13,554	27,387	-50.51%
	Total expenses	16,010,476	14,880,173	7.60%
Increase(decrease) in net position		(1,365,553)	36,657	
Net position, beginning (restated)		27,564,837	27,528,180	0.13%
Net position, ending		26,199,284	27,564,837	-4.95%

The Town's net position decreased by \$1.4 million, or (4.95%) during 2016, as compared to a increase of \$37 thousand, or (0.1%) in the previous year. The primary funding source for governmental activities are taxes (49% of all revenues) and licenses/permits (27% of all revenues). Total 2016 revenues of \$14.64 million were lower than the 2016 expenses of \$16.01 million, leading to the decrease in net position. Revenue in 2016 was lower than the 2015 revenue by \$272 thousand, or 1.8%. This decrease was mostly driven by a decrease of \$937 thousand in property and other tax revenues, offset by increases of \$238 thousand in licenses and permits and \$216k in operating and non-operating grants.

Total expenses during 2016 of \$16 million were higher than 2015 expenses of \$14.9 million by \$1.1 million, or 7.6%. The largest increase was in the public safety category \$647 thousand which was mainly due to changes in GASB68 balances related to pensions, followed by highway and streets (\$173 thousand) and general government (\$134 thousand).

Financial Analysis of Town of Windham Funds

Governmental Funds. At the end of 2016 and 2015, the combined fund balances for all governmental funds were as follows (details in Exhibit C-3):

	<u>2016</u>	<u>2015</u>
General Fund	\$1,910,547	\$1,981,402
Other Governmental Funds	<u>1,985,152</u>	<u>1,845,568</u>
Total Governmental Fund Balance	\$3,895,699	\$3,826,970

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, 2016 to December 31, 2015, the total fund balance on the Governmental Funds Balance Sheet as of December 31, 2016 of \$3.9 million was slightly higher than the \$3.8 million as of December 31, 2015. The decrease in the general fund portion reflects the negative budgetary variance in the general fund discussed later in this report. The increase in total other governmental fund balances is a result of normal account activity.

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

Under the modified accrual basis of accounting, the fund balance reflected above for the general fund is adjusted each year for property tax revenue that is not collected within sixty days of the fiscal year-end. 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.

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 \$2.0 million increased by approximately \$140 thousand as compared to the 2015 balance. These other governmental funds are restricted for the purposes originally established at the time of appropriation. The largest single funds are the Land Purchase Conservation Fund with a fund balance of \$618 thousand (increasing by \$22 thousand over the previous year) and the Cable and Health Expendable Trust with a fund balance of \$397 thousand (decreasing by \$30 thousand over the previous year) on December 31, 2016. The most significant activity within the other individual funds was an increase of \$59 thousand in public safety impact fees collected as a result of increased building activity, while most other fund balances remained similar.

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 2016. 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>2016</u>	<u>2015</u>
Total fund balance – budgetary basis	\$1,691,354	\$1,791,182
Portion designated as nonspendable	(16,100)	(21,187)
Portion designated as committed	(180,127)	(107,289)
Portion designated as assigned	(238,390)	(104,038)
Available for tax rate setting (Unassigned)	\$1,256,737	\$1,558,668

The amount of the December 31, 2015 fund balance used to reduce the 2016 tax rate was \$935 thousand, as compared to \$890 thousand used for the 2015 tax rate. After this reduction, the net unassigned fund balance as of December 31, 2016 ended up at \$1.3 million due to the variance in budgeted expenditures and 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 actual revenues and other financing sources, totaling \$13.5 million, along with the use of \$935 thousand in fund balance, supported the overall actual expenditures of \$14.1 million. The actual revenues include the amount of unanticipated revenues received and accepted by the Board of Selectmen throughout the year. Also shown below, the final budgeted expenditures and transfers out of \$14.5 million reflect encumbrances from year to year.

In comparing budget to actual amounts (inclusive of amounts encumbered to the subsequent year), the total revenues and transfers in were higher than those budgeted, while total expenditures were lower than those budgeted, resulting in a positive combined budgetary variance of \$636 thousand.

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

	Final Budget	Actual	Variance
		<i>(Budgetary Basis)</i>	
Revenues	\$13,150,646	13,463,484	312,838
Bond Proceeds	334,816	334,816	-
Transfers In	85,782	121,636	35,854
Expenditures	(14,426,569)	(14,139,430)	287,139
Transfers Out	(80,000)	(80,000)	-
Net	(\$935,325)	(\$299,494)	635,831

Actual revenues and transfers in were higher than the final budgeted amounts by a combined \$349 thousand. This was primarily due to various differences in actual amounts collected by the Town, including taxes and license and permit fees, through the end of fiscal 2016, as compared to budgeted amounts set in the fall of 2015. 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 a drop of \$82,735 in intergovernmental revenue.

Actual expenditures and transfers out were less than the final budget by \$287 thousand, resulting in a positive budgetary variance. The majority of the savings was in the highways and streets category (\$155 thousand), primarily due to funds being allocated to other departments, offset by higher than budgeted spending in sanitation (\$57 thousand) due to increased costs of waste disposal and general government (\$21 thousand) due to one-time costs related to the reorganization of the maintenance department which is expected to result in significant savings going forward. Other budgetary savings were in the culture and recreation, and general assistance areas due to both library staff benefit savings as well as less budgetary needs in the general assistance area. This resulted in some departmental budgets showing a negative variance in expenditures for the year, even though the overall budget shows positive variance.

Revenues and other financing sources used to support the General Fund operations for the year ended December 31, 2016 totaled \$13.9 million, as compared to \$13.6 million for the previous year, or an increase of \$277 thousand, or 2%. This was primarily due to an increase in bond proceeds (\$334 thousand) due to the fire truck bond, licenses and permits (\$238 thousand) driven mostly by motor vehicle permits and intergovernmental revenue (\$216 thousand), offset by a \$735 thousand decrease in tax collections. The increase in licenses and permits is due to an overall increase in motor vehicle registration revenue and increased building permit revenue in 2016. Revenues collected from solid waste activities continued decreasing by \$10 thousand due to changes in marketability of metals and recyclables.

The following comparison shows the breakdown of general fund revenues (from exhibit D), from a budgetary basis, by category and percentage change over the previous year:

Revenues:	2016	2015	% Change
Taxes	\$7,041,752	\$7,776,612	-9.4%
Licenses and Permits	3,906,203	3,668,294	6.5%
Intergovernmental	1,270,011	1,054,252	20.5%
Charges for Services	803,224	782,707	2.6%
Miscellaneous	442,294	274,551	61.1%
	13,463,484	13,556,416	-0.7%

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

Bond Proceeds	334,816	0	N/A
Operating transfers in	121,636	86,171	41.2%
Total	\$13,919,936	\$13,642,587	2.0%

Expenditures (including principal and interest payments on debt) and other uses totaled \$14.2 million for the year ended December 31, 2016, as compared to \$13.3 million for the previous year, or an increase of 6.9%. Public safety represented the highest category of spending at 47% of the total spending for General Fund activities in 2016, compared to 49% in 2015. 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):

Expenditures:	2016	2015	% Change
General Government	2,820,335	2,799,828	0.7%
Public Safety	6,684,133	6,563,871	1.8%
Highways and Streets	1,064,068	836,613	27.2%
Health and welfare	60,063	66,688	-9.9%
Sanitation	876,125	800,474	9.5%
Culture, Recreation, Conservation	1,364,370	1,401,704	-2.7%
Capital outlay	1,098,842	662,363	65.9%
Debt Service	171,494	85,779	99.9%
Total	14,139,430	13,217,320	7.0%
Operating transfers out	80,000	80,000	0.0%
Total	14,219,430	13,297,320	6.9%

The most significant increase in expenditures over the previous year was in Capital Outlay due to the \$357 thousand spent during 2016 to purchase and equip a new fire truck.

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, 2016 amounted to \$38.0 million, net of accumulated depreciation, representing a decrease of \$723 thousand over the previous year balance of \$38.7 million. The net decrease in value is driven by the excess of the depreciation expense of the town assets over the capital investments during 2016. The following summary shows a yearly comparison of net capital assets by category (see Note 9 in the Notes to the Basic Financial Statements for more detailed information):

Capital Assets	2016	2015	Change
Infrastructure	16,607,627	17,338,060	(730,433)
Land and land improvements	13,936,790	14,093,678	(156,888)
Buildings and improvements	4,583,742	4,813,708	(229,966)

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Management's Discussion and Analysis

Vehicles and equipment	2,830,396	2,436,090	394,306
Total capital assets, net	37,958,555	38,681,536	(722,981)

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 2016 include:

- The Town acquired public safety equipment in the form of a fire truck for the fire department and also acquired a pickup truck and a dump truck for the Highway Department.
- The Town paved a parking lot at Searles and portions of Nashua Rd, Hardwood Rd/Heritage Hill, and Woodvue Rd.
- The Town also added stained glass windows at Searles and an HVAC system for the Community Development building.

Long-term Debt. During 2016, the Town borrowed \$334,816 towards the purchase of a new fire engine – the first of four annual payments was made in 2016 and the full balance will be paid by 2019. The 2014 Campbell Farm bond was fully paid in 2016 by the Conservation Commission, saving the town over \$100 thousand in future expected interest.

No leases were entered into during 2016, and \$60 thousand remains due on all capital leases as of December 31, 2016. See Note 14 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 2016 fiscal year increased 1.2% over the previous year (to \$2,279,643,640 in 2016 from \$2,252,954,574 in 2015) as the Town is continuing to experience new building development.
- The total property taxes that were uncollected as of year-end, including liens and tax deeded property, amounted to \$2.3 million as of December 31, 2016, essentially unchanged from the \$2.3 million as of December 31, 2015. Current year uncollected as a percentage of the total tax levy was 4.7% as of December 31, 2016, which is a decrease from prior year's 4.8%.

Several factors were taken into consideration as Town officials developed the budget for the 2016 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 Daniel Popovici-Muller, Finance Director, at 4 North Lowell Rd, Windham, New Hampshire 03087.

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF WINDHAM, NEW HAMPSHIRE
Statement of Net Position
December 31, 2016

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 20,526,046
Investments	112,626
Accounts receivable (net)	311,141
Taxes receivable (net)	2,261,260
Intergovernmental receivable	3,537
Tax dedeed property, subject to resale	16,100
Restricted assets:	
Cash and cash equivalents	292,180
Capital assets:	
Land and construction in progress	13,663,933
Other capital assets, net of depreciation	24,294,622
Total assets	61,481,445
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	4,150,509
LIABILITIES	
Accounts payable	152,151
Accrued salaries and benefits	4,313
Accrued interest payable	2,191
Intergovernmental payable	19,517,903
Escrow and performance deposits	297,014
Long-term liabilities:	
Due within one year	221,383
Due in more than one year	18,994,277
Total liabilities	39,189,232
DEFERRED INFLOWS OF RESOURCES	
Amounts related to pensions	243,438
NET POSITION	
Net investment in capital assets	37,649,158
Restricted	507,982
Unrestricted	(11,957,856)
Total net position	\$ 26,199,284

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, 2016

	Expenses	Program Revenues		Net (Expense) Revenue and Change In Net Position
		Charges for Services	Operating Grants and Contributions	
General government	\$ 3,502,860	\$ 302,437	\$ -	\$ (3,200,423)
Public safety	7,553,678	811,871	-	(6,741,807)
Highways and streets	2,097,849	-	329,405	(1,768,444)
Sanitation	994,394	13,439	-	(980,955)
Health	35,014	-	-	(35,014)
Welfare	25,049	10,530	-	(14,519)
Culture and recreation	1,768,804	95,921	-	(1,672,883)
Conservation	19,274	-	-	(19,274)
Interest on long-term debt	13,554	-	-	(13,554)
Total governmental activities	<u>\$ 16,010,476</u>	<u>\$ 1,234,198</u>	<u>\$ 329,405</u>	<u>(14,446,873)</u>
General revenues:				
Taxes:				
Property				6,804,402
Other				336,781
Motor vehicle permit fees				3,619,725
Licenses and other fees				286,728
Grants and contributions not restricted to specific programs				940,606
Sale of municipal property				338,470
Miscellaneous				754,608
Total general revenues				<u>13,081,320</u>
Change in net position				(1,365,553)
Net position, beginning				27,564,837
Net position, ending				<u>\$ 26,199,284</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, 2016

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 19,174,462	\$ 1,351,584	\$ 20,526,046
Investments	-	112,626	112,626
Accounts receivable (net)	247,274	63,867	311,141
Taxes receivable	2,266,850	69,410	2,336,260
Intergovernmental receivable	3,537	-	3,537
Interfund receivable	121,636	-	121,636
Prepaid items	-	582,381	582,381
Tax dedeed property, subject to resale	16,100	-	16,100
Restricted assets:			
Cash and cash equivalents	292,180	-	292,180
Total assets	<u>\$ 22,122,039</u>	<u>\$ 2,179,868</u>	<u>\$ 24,301,907</u>
LIABILITIES			
Accounts payable	\$ 148,481	\$ 3,670	\$ 152,151
Accrued salaries and benefits	4,313	-	4,313
Intergovernmental payable	19,517,903	-	19,517,903
Interfund payable	-	121,636	121,636
Escrow and performance deposits	297,014	-	297,014
Total liabilities	<u>19,967,711</u>	<u>125,306</u>	<u>20,093,017</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - Property taxes	243,781	-	243,781
Unavailable revenue - Land use change taxes	-	69,410	69,410
Total deferred inflows of resources	<u>243,781</u>	<u>69,410</u>	<u>313,191</u>
FUND BALANCES			
Nonspendable	16,100	902,991	919,091
Restricted	89,112	98,260	187,372
Committed	466,604	666,119	1,132,723
Assigned	250,775	317,782	568,557
Unassigned	1,087,956	-	1,087,956
Total fund balances	<u>1,910,547</u>	<u>1,985,152</u>	<u>3,895,699</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 22,122,039</u>	<u>\$ 2,179,868</u>	<u>\$ 24,301,907</u>

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

EXHIBIT C-2
TOWN OF WINDHAM, NEW HAMPSHIRE
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
December 31, 2016

Total fund balances of governmental funds (Exhibit C-1)		\$ 3,895,699
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	\$ 77,158,707	
Less accumulated depreciation	<u>(39,200,152)</u>	
		37,958,555
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (121,636)	
Payables	<u>121,636</u>	
		-
Certain items are not current financial resources in the governmental funds, but instead are reported in the Statement of Net Position.		
Deferred outflows of resources related to pension	\$ 4,150,509	
Deferred inflows of resources related to pension	<u>(243,438)</u>	
		3,907,071
Property taxes are recognized on an accrual basis in the Statement of Net Position and on a modified accrual basis in the governmental funds.		
Deferred inflows of resources - Property taxes	\$ 243,781	
Deferred inflows of resources - Land use change taxes	69,410	
Allowance for uncollectible property taxes	<u>(75,000)</u>	
		238,191
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(2,191)
Repayment of long-term liabilities not due until subsequent year are recorded in the governmental funds as prepaid items, but reduce the liability on the government-wide financial statements.		
Prepayment of bond		(582,381)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bond	\$ 249,245	
Capital leases	60,152	
Compensated absences	1,201,395	
Other postemployment benefits	688,236	
Net pension liability	<u>17,016,632</u>	
		<u>(19,215,660)</u>
Net position of governmental activities (Exhibit A)		<u>\$ 26,199,284</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, 2016

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 7,055,092	\$ 126,023	\$ 7,181,115
Licenses and permits	3,906,203	250	3,906,453
Intergovernmental	1,270,011	-	1,270,011
Charges for services	803,224	430,973	1,234,197
Miscellaneous	492,363	600,716	1,093,079
Total revenues	<u>13,526,893</u>	<u>1,157,962</u>	<u>14,684,855</u>
EXPENDITURES			
Current:			
General government	2,896,472	433,841	3,330,313
Public safety	6,651,503	335,078	6,986,581
Highways and streets	935,468	-	935,468
Sanitation	876,125	-	876,125
Health	35,014	-	35,014
Welfare	25,049	-	25,049
Culture and recreation	1,422,021	108,549	1,530,570
Conservation	-	19,274	19,274
Debt service:			
Principal	146,425	-	146,425
Interest	25,069	-	25,069
Capital outlay	1,041,054	-	1,041,054
Total expenditures	<u>14,054,200</u>	<u>896,742</u>	<u>14,950,942</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(527,307)</u>	<u>261,220</u>	<u>(266,087)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	121,636	-	121,636
Transfers out	-	(121,636)	(121,636)
Bond proceeds	334,816	-	334,816
Total other financing sources (uses)	<u>456,452</u>	<u>(121,636)</u>	<u>334,816</u>
Net change in fund balances	(70,855)	139,584	68,729
Fund balances, beginning	1,981,402	1,845,568	3,826,970
Fund balances, ending	<u>\$ 1,910,547</u>	<u>\$ 1,985,152</u>	<u>\$ 3,895,699</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, 2016

Net change in fund balances of governmental funds (Exhibit C-3)	\$	68,729
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capitalized capital outlay and capital asset disposals in the current period.		
Capitalized capital outlay	\$	1,356,185
Depreciation expense		<u>(2,079,166)</u>
		(722,981)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$	(121,636)
Transfers out		<u>121,636</u>
		-
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Change in deferred inflows of resources relating to property taxes	\$	(33,340)
Change in deferred inflows of resources relating to land use change taxes		(26,592)
Change in allowance for uncollectible property taxes		<u>20,000</u>
		(39,932)
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.		
Bond proceeds	\$	(334,816)
Repayment of bond principal		725,887
Repayment of capital leases		<u>235,799</u>
		626,870
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$	14,434
Increase in prepayment of bond		(582,381)
Decrease in compensated absences payable		174,137
Increase in other postemployment benefits payable		(66,012)
Increase in GASB Statement No. 68 related balances		<u>(838,417)</u>
		<u>(1,298,239)</u>
Change in net position of governmental activities (Exhibit B)	\$	<u><u>(1,365,553)</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, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
REVENUES				
Taxes	\$ 6,867,650	\$ 6,867,650	\$ 7,041,752	\$ 174,102
Licenses and permits	3,801,860	3,801,860	3,906,203	104,343
Intergovernmental	1,219,402	1,352,746	1,270,011	(82,735)
Charges for services	771,580	771,580	803,224	31,644
Miscellaneous	356,810	356,810	442,294	85,484
Total revenues	<u>13,017,302</u>	<u>13,150,646</u>	<u>13,463,484</u>	<u>312,838</u>
EXPENDITURES				
Current:				
General government	2,798,995	2,798,995	2,820,335	(21,340)
Public safety	6,674,675	6,674,675	6,684,133	(9,458)
Highways and streets	1,219,250	1,219,250	1,064,068	155,182
Sanitation	819,550	819,550	876,125	(56,575)
Health	36,760	36,760	35,014	1,746
Welfare	57,040	57,040	25,049	31,991
Culture and recreation	1,418,200	1,423,760	1,364,370	59,390
Conservation	5,560	-	-	-
Debt service:				
Principal	120,674	146,425	146,425	-
Interest	52,605	26,854	25,069	1,785
Capital outlay	755,100	1,223,260	1,098,842	124,418
Total expenditures	<u>13,958,409</u>	<u>14,426,569</u>	<u>14,139,430</u>	<u>287,139</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(941,107)</u>	<u>(1,275,923)</u>	<u>(675,946)</u>	<u>599,977</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	85,782	85,782	121,636	35,854
Transfers out	(80,000)	(80,000)	(80,000)	-
Bond proceeds	-	334,816	334,816	-
Total other financing sources (uses)	<u>5,782</u>	<u>340,598</u>	<u>376,452</u>	<u>35,854</u>
Net change in fund balance	<u>\$ (935,325)</u>	<u>\$ (935,325)</u>	(299,494)	<u>\$ 635,831</u>
Decrease in nonspendable fund balance			5,087	
Increase in assigned fund balance (abatements)			(7,524)	
Unassigned fund balance, beginning			<u>1,558,668</u>	
Unassigned fund balance, ending			<u>\$ 1,256,737</u>	

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

EXHIBIT E-1
TOWN OF WINDHAM, NEW HAMPSHIRE
Fiduciary Funds
Statement of Net Position
December 31, 2016

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 28,016	\$ 1,911,707
LIABILITIES		
Intergovernmental payable	-	1,834,003
Due to others	-	77,704
Total liabilities	<u>-</u>	<u>1,911,707</u>
NET POSITION		
Held in trust for specific purposes	<u>\$ 28,016</u>	<u>\$ -</u>

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

EXHIBIT E-2
TOWN OF WINDHAM, NEW HAMPSHIRE
Fiduciary Funds
Statement of Changes in Net Position
For the Fiscal Year Ended December 31, 2016

	Private Purpose Trust
ADDITIONS	
New funds	\$ 1,500
Interest	2
Total revenue	1,502
DEDUCTIONS	
Expenses	1,500
Change in net position	2
Net position, beginning	28,014
Net position, ending	\$ 28,016

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, 2016

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AS OF AND FOR THE FISCAL YEAR ENDED
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TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

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.

In 2016 the Town implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a government should apply.

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

1-A Reporting Entity

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

1-B Government-wide and Fund Financial Statements

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the primary government. Generally, the effect of interfund activity has been eliminated from these statements. Governmental activities normally are supported through taxes and intergovernmental revenues.

The *Statement of Net Position* presents the financial position of the Town at year-end. This statement includes all of the Town’s non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and (2) grants and contributions that are restricted to meeting the operational requirements of a particular function. Taxes and other items not meeting the definition of program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenue rather than program revenue.

Fund Financial Statements - 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.

In the governmental fund financial statements, expenditures are reported by character: current, debt service or capital outlay. Current expenditures are subclassified by function and are for items such as salaries, grants, supplies, and services. Debt service includes both interest and principal outlays related to bonds. Capital outlay includes expenditures for equipment, real property, or infrastructure.

Other Financing Sources (Uses) – these additions to and reductions from resources in governmental fund financial statements normally result from transfers from/to other funds and financing provided by bond proceeds. Transfers are reported when incurred as “transfers in” by the receiving fund and as “transfers out” by the disbursing fund.

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

Measurement Focus and Basis of Accounting - 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 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.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

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

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.

Financial Statement Presentation - A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to report financial position and the results of operations, to demonstrate legal compliance, and to aid financial management by segregating transactions related to certain government functions or activities.

The Town reports the following major governmental funds:

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

Additionally, the Town reports the following fund types:

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

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 Funds – The Town also reports the following fiduciary funds:

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

Agency Fund – are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets held on behalf of outside parties, including other governments, and includes the Windham School District expendable trust funds and the school impact fees and escrow accounts.

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 and savings accounts.

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

1-E Restricted Assets

Restricted assets occur when statutory limitation is placed on the use of the assets as they are earmarked for a specific purpose and are unavailable for general use.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

1-F Investments

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

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

- Obligations of the United States government,
- The public deposit investment pool established pursuant to RSA 383:22,
- 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.

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

Level 1 – Inputs that reflect quoted prices (unadjusted) in active markets for identical assets and liabilities that the Town has the ability to access at the measurement date. Most of the Town's directly held marketable equity securities would be examples of Level 1 investments.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active. Because they most often are priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held fixed income securities are categorized in Level 2. All of the Town's holdings in U.S. government obligations and corporate bonds would be examples of Level 2 investments.

Level 3 – Unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative financial instruments.

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

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

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, and other user fees.

1-H Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

1-I Capital Assets

Capital assets are defined by the Town as assets with an initial individual cost of \$5,000 or more and an estimated life in excess of one year. Capital assets include property, plant, and equipment, infrastructure assets (e.g. roads, bridges, sidewalks, drainage, and similar items) and are reported in the governmental activities.

The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund's measurement focus. General capital assets are assets of the Town as a whole. When purchased, such assets are recorded as expenditures in a governmental fund and capitalized as assets in the governmental activities column of the government-wide Statement of Net Position. When cost of general capital assets cannot be determined from available records, estimated historical cost is used.

Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend lives are not capitalized.

In the government-wide financial statements, the cost of property sold or retired, together with the related accumulated depreciation, is removed and any resulting gain or loss is included in income.

Capital assets of the Town are depreciated or amortized 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

1-J 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-K Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year. Warrants for the year were issued on May 23, 2016 and November 7, 2016, and due on June 30, 2016 and December 12, 2016. 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, Cobbetts Pond Village District, Moeckel Pond Village District, and Rockingham County, which are remitted to these entities as required by law.

The Town net assessed valuation as of April 1, 2016 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 2,261,501,140
For all other taxes	\$ 2,279,643,640

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The tax rates and amounts assessed for the year ended December 31, 2016 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$3.08	\$ 7,042,235
School portion:		
State of New Hampshire	\$2.36	5,326,111
Local	\$15.32	34,914,920
County portion	\$1.06	2,415,742
District portions:		
Breezy Gale Village	\$1.23	16,534
Cobbetts Pond Village	\$0.00	-
Moeckel Pond Village	\$0.61	4,253
Total		\$ 49,719,795

1-L Accounts Payable

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of December 31, 2016.

1-M Deferred Outflows/Inflows of Resources

Deferred outflows of resources, a separate financial statement element, represents a consumption of net position or fund balance that applies to a future period(s) and thus will not be recognized as an outflow of resources (expenses) until then.

Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

1-N Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of fund Net Position. In the fund financial statements, governmental fund types recognize bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources.

1-O 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-P Defined Benefit Pension Plan

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

The schedules are prepared by New Hampshire Retirement System, and are audited by the plan’s independent auditors.

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1-Q Net Position/Fund Balances

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 bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.
- b) *Restricted net position* – Consists of net 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 – GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides more clearly defined fund balance categories to make sure the nature and extend of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

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

Restricted – 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.

Unassigned – This classification includes the amounts that are available for any purpose. Positive amounts are reported only in 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.

1-R Use of Estimates

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

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NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town’s operations. At its annual meeting, the Town adopts a budget for the current year for the general and nonmajor Searles 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. For the fiscal year 2016, \$935,325 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

The Town employs certain accounting principles for budgetary reporting purposes that differ from a GAAP basis. The Statement of Revenues, Expenditures, and Changes in Fund Balance - 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.

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

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 13,919,936
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
To record revenue of the blended funds	50,069
Change in property tax revenue relating to 60-day revenue recognition	33,340
Change in allowance for uncollectible property taxes	
recognized as revenue on the GAAP basis, but not on the budgetary basis	(20,000)
Per Exhibit C-3 (GAAP basis)	<u>\$ 13,983,345</u>
 Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 14,219,430
Adjustment:	
Basis differences:	
Encumbrances, beginning	168,851
Encumbrances, ending	(368,517)
GASB Statement No. 54:	
To record expenditures of the blended funds	114,436
To eliminate transfers between general and expendable trust funds	(80,000)
Per Exhibit C-3 (GAAP basis)	<u>\$ 14,054,200</u>

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DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

At December 31, 2016, the reported amount of the Town’s deposits was \$22,757,949 and the bank balance was \$22,909,031. Of the bank balance \$22,825,995 was covered by federal depository insurance or by collateral held by the Town’s agent in the Town’s name, and \$83,036 was uninsured and uncollateralized.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 20,818,226
Cash per Statement of Net Position-Fiduciary Funds (Exhibit E-1)	<u>1,939,723</u>
Total cash and cash equivalents	<u>\$ 22,757,949</u>

NOTE 4 – RESTRICTED ASSETS

The following cash and cash equivalents are classified as restricted because of the statutory limitation placed on their use as they are earmarked for a specific purpose:

Cash and cash equivalents:	
General fund:	
Escrow and performance deposits	<u>\$ 292,180</u>

NOTE 5 – INVESTMENTS

Note 1-F describes statutory requirements covering the investment of the Town funds. The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town’s mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town maintains a portfolio consisting of original common stock certificates that are reported at fair value, based on quoted market prices (Level 1). As of December 31, 2016, the Town had \$112,626 invested in original common stock certificates.

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. More than 5% of the Town’s investments are in Allied Signal, which are 93% of the Town’s total investments.

NOTE 6 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2016. The amount has been reduced by an allowance for an estimated uncollectible amount of \$75,000. Taxes receivable by year are as follows:

	As reported on:	
	<u>(Exhibit A)</u>	<u>(Exhibit C-1)</u>
Property:		
Levy of 2016	\$ 1,572,048	\$ 1,572,048
Unredeemed (under tax lien):		
Levy of 2015	327,098	327,098
Levy of 2014	281,549	281,549
Levies of 2013 and prior	86,155	86,155
Land use change	69,410	69,410
Less: allowance for estimated uncollectible taxes *	<u>(75,000)</u>	<u>-</u>
Net taxes receivable	<u>\$ 2,261,260</u>	<u>\$ 2,336,260</u>

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

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NOTE 7 – OTHER RECEIVABLES

Receivables at December 31, 2016, 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, 2016 for the Town’s individual major 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	\$ 304,930	\$ 63,867	\$ 368,797
Intergovernmental	3,537	-	3,537
Gross receivables	<u>308,467</u>	<u>63,867</u>	<u>372,334</u>
Less: allowance for uncollectibles	<u>(57,656)</u>	<u>-</u>	<u>(57,656)</u>
Net total receivables	<u>\$ 250,811</u>	<u>\$ 63,867</u>	<u>\$ 314,678</u>

NOTE 8 – PREPAID ITEMS

Prepaid items at December 31, 2016 consisted of the following:

	<u>Exhibit A</u>	<u>Exhibit C-1</u>
Note prepayments	<u>\$ -</u>	<u>\$ 582,381 *</u>

*This amount was not recorded on the government-wide Statement of Net Position, as it has been applied against the bond payable balance at year-end as noted in Note 14.

NOTE 9 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 is as follows:

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance, ending</u>
At cost:				
Not being depreciated:				
Land	\$ 13,663,933	\$ -	\$ -	\$ 13,663,933
Construction in progress	133,196	-	(133,196)	-
Total capital assets not being depreciated	<u>13,797,129</u>	<u>-</u>	<u>(133,196)</u>	<u>13,663,933</u>
Being depreciated:				
Land improvements	1,679,848	20,075	-	1,699,923
Buildings and building improvements	9,096,028	-	-	9,096,028
Vehicles and equipment	5,655,251	851,445	-	6,506,696
Infrastructure	45,574,266	617,861	-	46,192,127
Total capital assets being depreciated	<u>62,005,393</u>	<u>1,489,381</u>	<u>-</u>	<u>63,494,774</u>
Total all capital assets	<u>75,802,522</u>	<u>1,489,381</u>	<u>(133,196)</u>	<u>77,158,707</u>
Less accumulated depreciation:				
Land improvements	(1,383,299)	(43,767)	-	(1,427,066)
Buildings and building improvements	(4,282,320)	(229,966)	-	(4,512,286)
Vehicles and equipment	(3,219,161)	(457,139)	-	(3,676,300)
Infrastructure	(28,236,206)	(1,348,294)	-	(29,584,500)
Total accumulated depreciation	<u>(37,120,986)</u>	<u>(2,079,166)</u>	<u>-</u>	<u>(39,200,152)</u>
Net book value, capital assets being depreciated	24,884,407	(589,785)	-	24,294,622
Net book value, all capital assets	<u>\$ 38,681,536</u>	<u>\$ (589,785)</u>	<u>\$ (133,196)</u>	<u>\$ 37,958,555</u>

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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	\$ 37,799
Public safety	294,628
Highways and streets	1,491,266
Sanitation	96,084
Culture and recreation	159,389
Total depreciation expense	<u>\$ 2,079,166</u>

NOTE 10 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of December 31, 2016 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor	<u>\$ 121,636</u>

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

Interfund Transfers - The composition of interfund transfers for the year ended December 31, 2016 is as follows:

	<u>Transfers In:</u>
	General
	<u>Fund</u>
Transfers out:	
Nonmajor funds	<u>\$ 121,636</u>

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

NOTE 11 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of \$21,351,906 at December 31, 2016 consist of the following:

General fund:	
Balance of the 2016-2017 district assessment due to Windham School District	\$ 19,241,031
New Hampshire Retirement System December contributions	<u>276,872</u>
Total general fund	<u>19,517,903</u>
Agency funds:	
Windham School District trust funds	1,447,273
Windham School District impact fees	372,931
Village District trust funds	<u>13,799</u>
Total agency funds	<u>1,834,003</u>
Total intergovernmental payables	<u>\$ 21,351,906</u>

NOTE 12 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources of \$4,150,509 in the governmental activities at December 31, 2016 consists of amounts related to pensions, see Note 15.

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Deferred inflows of resources consist of the following:

	Governmental Activities	General Fund	Nonmajor Governmental Funds
Property taxes not collected within 60 days of the fiscal year-end	\$ -	\$ 243,781	\$ -
Land use change taxes not collected within 60 days of the fiscal year-end	-	-	69,410
Amounts related to pensions (see Note 15)	243,438	-	-
Total deferred inflows of resources	\$ 243,438	\$ 243,781	\$ 69,410

NOTE 13 – CAPITAL LEASE

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

	Standard Interest Rate	Present Value of Remaining Payments as of December 31, 2016
Capital lease obligations:		
Police sedans, interceptor utility, special service vehicle, and Starcraft bus	2.49%	\$ 60,152

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

	Governmental Activities
Equipment:	
Police sedans, interceptor utility, special service vehicle, and Starcraft bus	\$ 186,990
Less: accumulated depreciation	(39,575)
Total capital leased equipment	\$ 147,415

The annual requirements to amortize the capital lease payable as of December 31, 2016, including interest payments, are as follows:

Fiscal Year Ending December 31,	Governmental Activities
2017	\$ 61,650
Less: interest	(1,498)
Present value of remaining payments	\$ 60,152

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

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NOTE 14 – LONG-TERM LIABILITIES

Changes in the Town’s long-term liabilities consisted of the following for the year ended December 31, 2016:

	Balance January 1, 2016	Additions	Reductions	Balance December 31, 2016	Due Within One Year
General obligation bond payable	\$ 640,316	\$ 334,816	\$ (725,887)	\$ 249,245	\$ 81,977
Capital lease	295,951	-	(235,799)	60,152	60,152
Compensated absences	1,375,532	12,563	(186,700)	1,201,395	79,254
Net other postemployment benefits	622,224	66,012	-	688,236	-
Net pension liability	12,566,541	4,450,091	-	17,016,632	-
Total long-term liabilities	<u>\$ 15,500,564</u>	<u>\$ 4,863,482</u>	<u>\$ (1,148,386)</u>	<u>\$ 19,215,660</u>	<u>\$ 221,383</u>

The long-term bond is comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2016	Current Portion
General obligation bond payable:						
Fire Truck	\$ 334,816	2016	2019	1.5	<u>\$ 249,245</u>	<u>\$ 81,977</u>

The annual requirements to amortize the general obligation bond outstanding as of December 31, 2016, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2017	\$ 81,977	\$ 3,739	\$ 85,716
2018	83,206	2,509	85,715
2019	84,062	1,261	85,323
Totals	<u>\$ 249,245</u>	<u>\$ 7,509</u>	<u>\$ 256,754</u>

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

Bonds/Notes Authorized and Unissued – Bonds and notes authorized and unissued as of December 31, 2016 were as follows:

Per Town Meeting Vote of	Purpose	Unissued Amount
March 10, 2015	Fire Engine/Tanker Truck	<u>\$ 9,714</u>

NOTE 15 – DEFINED BENEFIT PENSION PLAN

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

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Benefits Provided: The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II. All assets are held in a single trust and available to pay retirement benefits to all members.

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC) multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the member attains 52.5 years of age by ¼ of 1% or age 60.

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

Contributions: The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees are required to contribute 7% of earnable compensation. For fiscal year 2016, the Town contributed 26.38% for police, 29.16% for fire fighters, and 11.17% for all other employees. The contribution requirements for the fiscal years 2014, 2015, and 2016 were \$1,225,587, \$1,260,464, and \$1,295,095, respectively, which were paid in full in each year.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions - At December 31, 2016 the Town reported a liability of \$17,016,632 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2016, the Town's proportion was .32000614% which was an increase of .00279157% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Town recognized pension expense of \$1,979,446. At December 31, 2016 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 322,319	\$ 28,560
Changes in assumptions	2,094,206	-
Differences between expected and actual experience	47,289	214,878
Net difference between projected and actual investment earnings on pension plan investments	1,064,648	-
Contributions subsequent to the measurement date	622,047	-
Total	<u>\$ 4,150,509</u>	<u>\$ 243,438</u>

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The \$622,047 reported as deferred outflows of resources related to pensions results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending December 31,	
2016	\$ 689,460
2017	689,460
2018	1,039,197
2019	825,778
2020	41,129
Totals	<u>\$ 3,285,024</u>

Actuarial Assumptions: The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2015, using the following actuarial assumptions which, accordingly apply to 2016 measurements:

Inflation:	2.5%
Salary increases:	5.6% average, including inflation
Investment rate of return:	7.25% net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on last experience study.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

Long-term Rates of Return: The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2016:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return 2016
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	4.75%
Emerging Int'l Equities	7.00%	6.25%
Total international equity	20.00%	
Core Bonds	5.00%	(0.64%)
Short Duration	2.00%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	(1.71%)
Absolute Return Fixed Income	7.00%	1.08%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.75%
Opportunistic	5.00%	3.68%
Total alternative investments	15.00%	
Real estate	10.00%	3.25%
Total	100.00%	

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Discount Rate: The discount rate used to measure the collective total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25% as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2016	\$ 21,865,212	\$ 17,016,632	\$ 12,995,502

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

NOTE 16 – DEFINED CONTRIBUTION PENSION PLAN

The Town has a defined contribution supplemental retirement 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. 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 the participant's total earnings to the plan. Covered wages paid under this plan during 2016 were \$2,374,274 or 33.8% of total wages of \$7,023,262. Employee contributions including additional voluntary contributions, to the plan were \$116,662, or 4.9% of covered wages. Employer contributions to the plan were \$118,715 or 5.0% of covered wages.

NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

In addition to the pension benefits described in the preceding note, the Town provides postemployment benefit options for health care to eligible retirees, terminated employees, and their dependents. The benefits 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 requirement. 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

Expenses for the postretirement health care benefits are recognized as eligible employee claims are paid.

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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.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, 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 2016:

Annual required contribution	\$ 72,866
Interest on Net OPEB Obligation	21,280
Adjustment to ARC	<u>(28,134)</u>
Increase in net OPEB obligation	66,012
Net OPEB obligation, beginning	<u>622,224</u>
Net OPEB obligation, ending	<u><u>\$ 688,236</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 2016 and the four preceding years were as follows:

Fiscal Year Ended	Annual OPEB Contribution Cost	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
December 31, 2016	\$ 72,866	\$ 99,672	136.79%	\$ 688,236
December 31, 2015	\$ 120,208	\$ 69,507	57.82%	\$ 622,224
December 31, 2014	\$ 114,761	\$ 64,062	55.82%	\$ 571,523
December 31, 2013	\$ 99,836	\$ 110,815	111.00%	\$ 520,824
December 31, 2012	\$ 98,590	\$ 69,241	70.23%	\$ 466,159

As of July 1, 2016, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$1,362,942, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,362,942. The covered payroll (annual payroll of active employees covered by the plan) was \$6,005,413 during fiscal year 2016, and the ratio of the UAAL to the covered payroll was 22.70%.

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.

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In the January 1, 2016 actuarial valuation, the actuarial cost method was used. The actuarial assumptions included a 3.42% investment rate of return per annum. The projected annual healthcare cost trend is 9% initially, reduced by decrements to an ultimate rate of 5.0% for years 2018 and later. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at December 31, 2016 was 30 years.

NOTE 18 – ENCUMBRANCES

Encumbrances outstanding at December 31, 2016 are as follows:

General fund:	
General government	\$ 17,160
Public safety	32,630
Highways and streets	138,600
Capital outlay	<u>180,127</u>
Total encumbrances	<u><u>\$ 368,517</u></u>

NOTE 19 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide Statement of Net Position at December 31, 2016 include the following:

Net investment in capital assets:	
Net property, buildings, and equipment	\$ 37,958,555
Less:	
General obligation bond payable	(249,245)
Capital leases payable	<u>(60,152)</u>
Total net investment in capital assets	<u>37,649,158</u>
Restricted for:	
Library	88,379
Nonexpendable permanent funds	320,610
Expendable permanent funds	98,260
Searles donation	<u>733</u>
Total restricted net position	<u>507,982</u>
Unrestricted	<u>(11,957,856)</u>
Total net position	<u><u>\$ 26,199,284</u></u>

NOTE 20 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2016 include the following:

Nonspendable:	
Major fund:	
General:	
Tax deceded property subject to resale	\$ 16,100
Nonmajor funds:	
Permanent - principal balance	320,610
Land Purchase Conservation - prepaid items	<u>582,381</u>
	<u>902,991</u>
Total nonspendable fund balance	\$ 919,091

(Continued)

TOWN OF WINDHAM, NEW HAMPSHIRE
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Governmental fund balances continued:

Restricted:		
Major fund:		
General:		
Nesmith Library	\$ 88,379	
Searles donation	733	
	89,112	
Nonmajor fund:		
Permanent - income balance	98,260	
Total restricted fund balance		187,372
Committed:		
Major fund:		
General:		
Expendable trust	\$ 286,477	
Non-lapsing appropriations	180,127	
	466,604	
Nonmajor funds:		
Public safety details	145,080	
Recreation revolving	10,746	
Griffin park	28,284	
Land Purchase Conservation	35,490	
Cable and health expendable trust	79,834	
Public safety impact fees	289,477	
Searles fund	20,579	
Fire cistern	501	
Forest maintenance	56,128	
	666,119	
Total committed fund balance		1,132,723
Assigned:		
Major fund:		
General:		
Encumbrances	\$ 188,390	
Abatements	50,000	
Public safety	12,385	
	250,775	
Nonmajor fund:		
Cable and health expendable trust	317,782	
Total assigned fund balance		568,557
Unassigned:		
Major fund:		
General		1,087,956
Total governmental fund balances		\$ 3,895,699

NOTE 21 – 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 2016, 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 pools, currently operating as common risk management and insurance programs for member Towns and cities.

TOWN OF WINDHAM, NEW HAMPSHIRE
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The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs is a pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2016 to December 31, 2016 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, 2016 was \$195,839 for workers' compensation and \$142,377 for property/liability.

NOTE 22 – CONTINGENT LIABILITIES

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

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

NOTE 23 – PERFORMANCE DEPOSITS

The Town holds letters of credit and surety bonds from developers until projects have been completed to Town standards. Due to the nature of these letters of credit and surety bonds they are not included as part of the financial statements. As of December 31, 2016, the Town held performance deposits totaling \$5,158,071.

NOTE 24 – HEALTH INSURANCE

Effective January 1, 1994, the Town provided employee medical/surgical benefits through a reduced premium plan, which is a modified self-insurance plan. The Town established a health insurance expendable trust fund, under RSA 31:19a to account for and finance its periodic insurance premiums and uninsured risk (the difference between prior coverage and current coverage levels). Effective January 1, 2003, the Town began augmenting the health insurance expendable trust with the general fund operating budget to fund health insurance costs. Employees were required to co-pay between 20-25% of the monthly premium. Expenditures during 2016 were \$1,433,208 for health insurance premiums, \$98,145 for non-covered employee claims as a result of higher deductible and \$3,389 for administrative expenses. Claims are reviewed by an outside claims administrator and then paid by the Town. At December 31, 2016, the unexpended balance of the health insurance expendable trust is \$119,358. Outstanding claims payable at December 31, 2016 totaled \$3,670.

NOTE 25 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through November 17, 2017, the date the December 31, 2016 financial statements were available to be issued, and the following events were identified:

At the 2017 Annual Town Meeting, two warrant articles were approved by the voters, one of which authorized the issuance of up to \$850,000 of bonds or notes for a new Aerial Truck for the Fire Department, and another that authorized the use of December 31, 2016 fund balance in the amount of \$100,000 for transfer to Town trust funds.

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, 2016

Fiscal Year End	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)
December 31, 2016	January 1, 2016	\$ -	\$ 1,362,942	\$ 1,362,942	0.00%	\$ 6,005,413	22.70%
December 31, 2015	January 1, 2013	\$ -	\$ 1,669,952	\$ 1,669,952	0.00%	\$ 5,830,498	28.64%
December 31, 2014	January 1, 2013	\$ -	\$ 1,582,467	\$ 1,582,467	0.00%	\$ 4,797,510	32.99%
December 31, 2013	January 1, 2013	\$ -	\$ 1,531,735	\$ 1,531,735	0.00%	\$ 5,519,785	27.75%
December 31, 2012	January 1, 2012	\$ -	\$ 1,495,793	\$ 1,495,793	0.00%	\$ 4,688,407	31.90%
December 31, 2011	January 1, 2009	\$ -	\$ 1,421,597	\$ 1,421,597	0.00%	\$ 4,525,505	31.41%

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

EXHIBIT G
TOWN OF WINDHAM
Schedule of the Town's Proportionate Share of Net Pension Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2016

Fiscal Year End	Valuation Date	Town's Proportion of Net Pension Liability	Proportionate Share of Net Pension Liability	Covered Payroll	Town Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
December 31, 2016	July 1, 2016	0.32000614%	\$ 17,016,632	\$ 6,045,748	281.46%	58.30%
December 31, 2015	July 1, 2015	0.31721457%	\$ 12,566,541	\$ 6,054,805	207.55%	65.47%
December 31, 2014	July 1, 2014	0.31828660%	\$ 11,947,160	\$ 5,972,552	200.03%	66.32%
December 31, 2013	July 1, 2013	0.30684318%	\$ 13,205,482	\$ 5,710,821	231.24%	59.81%

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

EXHIBIT H
TOWN OF WINDHAM
Schedule of Town Contributions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2016

Fiscal Year End	Valuation Date	Contractually Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2016	July 1, 2016	\$ 1,145,875	\$ 1,145,875	\$ -	\$ 6,045,748	18.95%
December 31, 2015	July 1, 2015	\$ 1,064,217	\$ 1,064,217	\$ -	\$ 6,054,805	17.58%
December 31, 2014	July 1, 2014	\$ 1,032,595	\$ 1,032,595	\$ -	\$ 5,972,552	17.29%
December 31, 2013	July 1, 2013	\$ 762,954	\$ 762,954	\$ -	\$ 5,710,821	13.36%

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

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
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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, 2016, and five preceding years.

All assumptions are the same as the prior valuation, including for the starting plan costs health care costs, retiree contribution rates, healthcare inflation, discount rate, decrement tables (e.g., probability of death, turnover, disability, and retirement), and other provisions as reported in the prior valuation report with issue date of March 19, 2013. The discount rate assumption is 4.0% similar to last year and the healthcare inflation assumptions reflect 9.0% beginning 2014 and decrease 0.5% per year until an ultimate trend rate of 5.0% by 2022. These are consistent with the January 1, 2012 valuation report.

Summary of Assumptions:

Discount Rate 3.42%

Actuarial Cost Method Entry Age Normal as a Percentage of Payroll

Health Care Cost Trend Assumption The following assumptions are used for annual healthcare cost inflation (trend):

	Year	Pre-65	Post 65
Year 1 Trend	1-Jan-18	9.0%	9.0%
Ultimate Trend	January 1, 2026 & Later	5.0%	5.0%
Grading Per Year		0.5%	0.5%

Starting Claim Cost Base plan costs effective January 1, 2016 and January 1, 2017 are based on the 2017 monthly premium rates provided, which are illustrated in Section VII, page 13 of this report. Plan costs are based on 100% before retiree contributions and are assumed to include all administrative expenses plus the required PPACA fees due at this time. Plan costs for 2018 and beyond are trended forward using the trend rates illustrated under the “Health Care Cost Trend Assumptions” section above. Base plan costs provided by your organization are assumed to be fully insured and community rates with the New Hampshire plans and therefore aging should not be required, consistent with Actuarial Standards of Practice No. 6. In the anticipation of implementation of GASB 75, an aging assumption of 3.5% per year is used for the valuation. The premium rates reflected the New Hampshire state plan demographics with average age of approximately 47 for active employees (enrollees) based on the July 1, 2016 valuation with issue date of June 26, 2017.

Mortality RP 2014 Healthy Male and Female Tables are based on the Combined Healthy Table for both pre & post retirement projected with mortality improvements using Projection Scale AA for 2 years, (i.e. from date of table to the valuation date), plus seven (7) years generational improvement. This is consistent with the prior valuation.

Turnover Assumptions This reflects rate of separation from the active plan and excludes retirement and disability. Turnover table varies by age and years of service with rates of turnover based on the New Hampshire Retirement System (NHRS) based on the decrement tables for Employees, since the classifications were not provided in the census file for this valuation.

Disability Assumptions This reflects disability assumptions from the active plan for ordinary and accidental disability and is based on age. This is the assumption used for the New Hampshire Retirement System (NHRS) based on the decrement tables for Employees, since classifications were not provided in the census file for this valuation.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
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Retirement Assumptions This reflects rate of retirement from the active plan and is based on age and years of service. This is the assumption used for the New Hampshire Retirement System (NHRS) based on the decrement tables for Employees, since classifications were not provided in the census file for this valuation.

Retirement Eligibility Assumptions Eligibility for retirement is based on meeting a criteria of minimum age and/or years of service (YOS) requirements with variations based on bargaining unit. Below is a summary of retirement eligibility requirements by bargaining unit.

Bargaining Unit	Minimum Retirement Age	Minimum Retirement YOS
Group I - Employees	60	None
Group II - Employees	60	None
	45	20

Retiree Contribution Rates Retirees meeting eligibility requirements above receive coverage for health insurance paid in full by the Town for one (1) full year, and then no additional explicit subsidy thereafter. Retirees pay the full cost for years 2 and later for pre-65 and post-65 retiree coverage. For the valuation, we illustrated the pay-as-you-go amount for the Net OPEB Obligation calculation to be zero, so the implicit amount, plus the Year 1 payment were not illustrated for conservatism. The implicit and the Year 1 calculation are included in the unfunded accrued liability, service cost, and other pay-as-you-go calculations.

Schedule of the Town’s Proportionate Share of Net Pension Liability & Schedule of Town Contributions

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits G and H represent the actuarial determined costs associated with the Town’s pension plan at December 31, 2016.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2016:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	23 Years beginning July 1, 2016 (30 years beginning July 1, 2009)
Asset Valuation Method	5-Year smooth market for funding purposes
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	2.85% per year
Investment Rate of Return	7.25% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on the last experience study.

Other Information:

Notes Contribution rates for Fiscal Year 2014 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.

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, 2016

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 6,598,460	\$ 6,811,823	\$ 213,363
Timber	11,415	5,682	(5,733)
Boat	15,740	15,982	242
Payment in lieu of taxes	12,035	-	(12,035)
Interest and penalties on taxes	230,000	208,265	(21,735)
Total from taxes	<u>6,867,650</u>	<u>7,041,752</u>	<u>174,102</u>
Licenses, permits, and fees:			
Motor vehicle permit fees	3,550,000	3,619,725	69,725
Building permits	135,000	155,154	20,154
Other	116,860	131,324	14,464
Total from licenses, permits, and fees	<u>3,801,860</u>	<u>3,906,203</u>	<u>104,343</u>
Intergovernmental:			
State:			
Meals and rooms distribution	739,497	739,497	-
Highway block grant	329,405	329,405	-
Other	283,844	201,109	(82,735)
Total from intergovernmental	<u>1,352,746</u>	<u>1,270,011</u>	<u>(82,735)</u>
Charges for services:			
Income from departments	<u>771,580</u>	<u>803,224</u>	<u>31,644</u>
Miscellaneous:			
Sale of municipal property	336,470	338,470	2,000
Interest on investments	10,500	11,359	859
Rent of property	3,000	3,125	125
Fines and forfeits	1,200	1,435	235
Insurance dividends and reimbursements	3,000	75,174	72,174
Other	2,640	12,731	10,091
Total from miscellaneous	<u>356,810</u>	<u>442,294</u>	<u>85,484</u>
Other financing sources:			
Transfers in	85,782	121,636	35,854
Bonds proceeds	334,816	334,816	-
Total other financing sources	<u>420,598</u>	<u>456,452</u>	<u>35,854</u>
Total revenues and other financing sources	13,571,244	<u>\$ 13,919,936</u>	<u>\$ 348,692</u>
Unassigned fund balance used to reduce tax rate	935,325		
Total revenues, other financing sources, and use of fund balance	<u>\$ 14,506,569</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, 2016

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 3,330	\$ 3,607	\$ -	\$ (277)
Election and registration	-	40,505	39,042	1,110	353
Financial administration	3,338	925,035	883,484	4,000	40,889
Revaluation of property	7,674	180,620	188,172	-	122
Legal	-	52,400	51,114	-	1,286
Information technology	-	231,390	221,845	-	9,545
Community development	400	487,370	440,566	850	46,354
General government buildings	-	519,855	574,543	-	(54,688)
Cemeteries	6,200	41,200	32,540	11,200	3,660
Insurance, not otherwise allocated	-	286,570	321,666	-	(35,096)
Searles buildings	-	26,720	35,027	-	(8,307)
Other	-	4,000	29,181	-	(25,181)
Total general government	<u>17,612</u>	<u>2,798,995</u>	<u>2,820,787</u>	<u>17,160</u>	<u>(21,340)</u>
Public safety:					
Police	-	2,904,440	2,974,565	23,630	(93,755)
Fire	-	3,285,110	3,194,291	9,000	81,819
Emergency management	-	6,670	2,370	-	4,300
Dispatching	-	478,455	480,277	-	(1,822)
Total public safety	<u>-</u>	<u>6,674,675</u>	<u>6,651,503</u>	<u>32,630</u>	<u>(9,458)</u>
Highways and streets:					
Highways and streets	10,000	1,202,030	919,260	138,600	154,170
Street lighting	-	17,220	16,208	-	1,012
Total highways and streets	<u>10,000</u>	<u>1,219,250</u>	<u>935,468</u>	<u>138,600</u>	<u>155,182</u>
Sanitation:					
Solid waste disposal	-	819,550	876,125	-	(56,575)
Health:					
Health agencies	-	36,760	35,014	-	1,746
Welfare:					
Direct assistance	-	57,040	25,049	-	31,991
Culture and recreation:					
Parks and recreation	33,950	212,690	240,510	-	6,130
Library	-	1,079,590	1,038,768	-	40,822
Other	-	131,480	119,042	-	12,438
Total culture and recreation	<u>33,950</u>	<u>1,423,760</u>	<u>1,398,320</u>	<u>-</u>	<u>59,390</u>
Debt service:					
Principal of long-term debt	-	146,425	146,425	-	-
Interest on long-term debt	-	26,354	25,069	-	1,285
Interest on tax anticipation notes	-	500	-	-	500
Total debt service	<u>-</u>	<u>173,279</u>	<u>171,494</u>	<u>-</u>	<u>1,785</u>
Capital outlay	107,289	1,223,260	1,026,004	180,127	124,418
Other financing uses:					
Transfers out	-	80,000	80,000	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 168,851</u>	<u>\$ 14,506,569</u>	<u>\$ 14,019,764</u>	<u>\$ 368,517</u>	<u>\$ 287,139</u>

SCHEDULE 3
TOWN OF WINDHAM, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended December 31, 2016

Unassigned fund balance, beginning (non-GAAP budgetary basis)		\$ 1,558,668
Changes:		
Unassigned fund balance used to reduce 2016 tax rate		(935,325)
2016 Budget summary:		
Revenue surplus (Schedule 1)	\$ 348,692	
Unexpended balance of appropriations (Schedule 2)	<u>287,139</u>	
2016 Budget surplus		635,831
Decrease in nonspendable fund balance		5,087
Increase in assigned fund balance (abatements)		<u>(7,524)</u>
Unassigned fund balance, ending (non-GAAP budgetary basis)		1,256,737
<i>Reconciliation of Non-GAAP Budgetary Basis to GAAP Basis:</i>		
To record deferred inflows of resources for property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis		(243,781)
To remove the allowance for uncollectible property taxes, recognized on a budgetary basis, but not on a GAAP basis		<u>75,000</u>
Unassigned fund balance, ending GAAP basis (Exhibit C-1)		<u><u>\$ 1,087,956</u></u>

SCHEDULE 4
TOWN OF WINDHAM, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2016

	Special Revenue Funds			
	Public Safety Detail	Recreation Revolving	Griffin Park	Land Purchase Conservation
ASSETS				
Cash and cash equivalents	\$ 81,213	\$ 10,746	\$ 28,284	\$ 121,269
Investments	-	-	-	-
Accounts receivable	63,867	-	-	-
Taxes receivable	-	-	-	69,410
Total assets	<u>\$ 145,080</u>	<u>\$ 10,746</u>	<u>\$ 28,284</u>	<u>\$ 773,060</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Interfund payable	-	-	-	85,779
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,779</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - Land use change taxes	-	-	-	69,410
FUND BALANCES				
Nonspendable	-	-	-	582,381
Restricted	-	-	-	-
Committed	145,080	10,746	28,284	35,490
Assigned	-	-	-	-
Total fund balances	<u>145,080</u>	<u>10,746</u>	<u>28,284</u>	<u>617,871</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 145,080</u>	<u>\$ 10,746</u>	<u>\$ 28,284</u>	<u>\$ 773,060</u>

Special Revenue Funds						
Cable and Health Expendable Trusts	Public Safety Impact Fees	Searles Fund	Fire Cistern	Forest Maintenance	Permanent Fund	Total
\$ 437,140	\$ 289,477	\$ 20,579	\$ 501	\$ 56,128	\$ 306,247	\$ 1,351,584
-	-	-	-	-	112,626	112,626
-	-	-	-	-	-	63,867
-	-	-	-	-	-	69,410
<u>\$ 437,140</u>	<u>\$ 289,477</u>	<u>\$ 20,579</u>	<u>\$ 501</u>	<u>\$ 56,128</u>	<u>\$ 418,873</u>	<u>\$ 2,179,868</u>
\$ 3,670	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,670
35,854	-	-	-	-	3	121,636
39,524	-	-	-	-	3	125,306
-	-	-	-	-	-	69,410
-	-	-	-	-	320,610	902,991
-	-	-	-	-	98,260	98,260
79,834	289,477	20,579	501	56,128	-	666,119
317,782	-	-	-	-	-	317,782
<u>397,616</u>	<u>289,477</u>	<u>20,579</u>	<u>501</u>	<u>56,128</u>	<u>418,870</u>	<u>1,985,152</u>
<u>\$ 437,140</u>	<u>\$ 289,477</u>	<u>\$ 20,579</u>	<u>\$ 501</u>	<u>\$ 56,128</u>	<u>\$ 418,873</u>	<u>\$ 2,179,868</u>

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, 2016

	Special Revenue Funds			
	Public Safety Detail	Recreation Revolving	Griffin Park	Land Purchase Conservation
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 126,023
Licenses and permits	-	-	-	-
Charges for services	338,586	92,387	-	-
Miscellaneous	-	29	28,284	693
Total revenues	<u>338,586</u>	<u>92,416</u>	<u>28,284</u>	<u>126,716</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	331,458	-	-	-
Culture and recreation	-	108,549	-	-
Conservation	-	-	-	19,274
Total expenditures	<u>331,458</u>	<u>108,549</u>	<u>-</u>	<u>19,274</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,128</u>	<u>(16,133)</u>	<u>28,284</u>	<u>107,442</u>
OTHER FINANCING USES				
Transfers out	-	-	-	(85,779)
Net change in fund balances	7,128	(16,133)	28,284	21,663
Fund balances, beginning	137,952	26,879	-	596,208
Fund balances, ending	<u>\$ 145,080</u>	<u>\$ 10,746</u>	<u>\$ 28,284</u>	<u>\$ 617,871</u>

Special Revenue Funds						
Cable and Health Expendable Trusts	Public Safety Impact Fees	Searles Fund	Fire Cistern	Forest Maintenance	Permanent Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 126,023
-	-	-	250	-	-	250
-	-	-	-	-	-	430,973
<u>420,455</u>	<u>62,837</u>	<u>28,778</u>	<u>1</u>	<u>42,320</u>	<u>17,319</u>	<u>600,716</u>
<u>420,455</u>	<u>62,837</u>	<u>28,778</u>	<u>251</u>	<u>42,320</u>	<u>17,319</u>	<u>1,157,962</u>
414,709	-	19,098	-	-	34	433,841
-	3,620	-	-	-	-	335,078
-	-	-	-	-	-	108,549
-	-	-	-	-	-	19,274
<u>414,709</u>	<u>3,620</u>	<u>19,098</u>	<u>-</u>	<u>-</u>	<u>34</u>	<u>896,742</u>
<u>5,746</u>	<u>59,217</u>	<u>9,680</u>	<u>251</u>	<u>42,320</u>	<u>17,285</u>	<u>261,220</u>
<u>(35,854)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3)</u>	<u>(121,636)</u>
<u>(30,108)</u>	<u>59,217</u>	<u>9,680</u>	<u>251</u>	<u>42,320</u>	<u>17,282</u>	<u>139,584</u>
<u>427,724</u>	<u>230,260</u>	<u>10,899</u>	<u>250</u>	<u>13,808</u>	<u>401,588</u>	<u>1,845,568</u>
<u>\$ 397,616</u>	<u>\$ 289,477</u>	<u>\$ 20,579</u>	<u>\$ 501</u>	<u>\$ 56,128</u>	<u>\$ 418,870</u>	<u>\$ 1,985,152</u>