

**TOWN OF WINDHAM,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020**

TOWN OF WINDHAM, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

TABLE OF CONTENTS

	<u>PAGES</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements	
A Statement of Net Position	3
B Statement of Activities	4
Fund Financial Statements	
<i>Governmental Funds</i>	
C-1 Balance Sheet	5
C-2 Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position.....	6
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balances.....	7
C-4 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	8
<i>Budgetary Comparison Information</i>	
D Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	9
<i>Fiduciary Funds</i>	
E-1 Statement of Fiduciary Net Position	10
E-2 Statement of Changes in Fiduciary Net Position	11
NOTES TO THE BASIC FINANCIAL STATEMENTS	12 - 38

REQUIRED SUPPLEMENTARY INFORMATION

F Schedule of the Town's Proportionate Share of Net Pension Liability	39
G Schedule of Town Contributions – Pensions	40
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY	41
H Schedule of the Town's Proportionate Share of Net Other Postemployment Benefits Liability	42
I Schedule of Town Contributions – Other Postemployment Benefits	43
J Schedule of Changes in the Town's Total Other Postemployment Benefits Liability and Related Ratios	44
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - OTHER POSTEMPLOYMENT BENEFITS LIABILITY	45

COMBINING AND INDIVIDUAL FUND SCHEDULES

Governmental Funds	
<i>Major General Fund</i>	
1 Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis).....	46
2 Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)	47
3 Schedule of Changes in Unassigned Fund Balance.....	48
<i>Nonmajor Governmental Funds</i>	
4 Combining Balance Sheet	49
5 Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances.....	50
<i>Custodial Funds</i>	
6 Combining Schedule of Fiduciary Net Position	51
7 Combining Schedule of Changes in Fiduciary Net Position	52

TOWN OF WINDHAM, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

TABLE OF CONTENTS

PAGES

**INDEPENDENT AUDITOR'S REPORTS AND
SINGLE AUDIT ACT SCHEDULES**

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	53 - 54
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	55 - 56
I Schedule of Findings and Questioned Costs.....	57 - 58
II Schedule of Expenditures of Federal Awards.....	59
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	60



PLODZIK & SANDERSON

Professional Association/Certified Public Accountants

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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, 2020, 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, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2020, 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.

Change in Accounting Principle

As discussed in Note 2-C to the financial statements, in fiscal year 2020 the Town adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Relating to Debt, Including Direct Borrowings and Direct Placements*. Our opinions are not modified with respect to this matter.

***Town of Windham
Independent Auditor's Report***

Other Matters

Management's Discussion and Analysis – Management has omitted a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

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

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

Such information, 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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2023 on our consideration of the Town of Windham's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Windham's internal control over financial reporting and compliance.



January 25, 2023
Concord, New Hampshire

PLODZIK & SANDERSON
Professional Association

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF WINDHAM, NEW HAMPSHIRE
Statement of Net Position
December 31, 2020

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 25,193,279
Investments	197,557
Taxes receivables (net)	2,482,121
Account receivables (net)	238,396
Intergovernmental receivable	277,830
Prepaid items	14,165
Capital assets:	
Land and construction in progress	15,860,156
Other capital assets, net of depreciation	21,726,736
Total assets	<u>65,990,240</u>
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	4,794,271
Amounts related to other postemployment benefits	123,554
Total deferred outflows of resources	<u>4,917,825</u>
LIABILITIES	
Accounts payable	142,008
Contracts payable	354,093
Accrued interest payable	41,255
Intergovernmental payable	23,567,435
Long-term liabilities:	
Due within one year	688,270
Due in more than one year	26,495,871
Total liabilities	<u>51,288,932</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	6,663
Unavailable revenue - grants	124,227
Amounts related to pensions	721,702
Amounts related to other postemployment benefits	386,208
Total deferred inflows of resources	<u>1,238,800</u>
NET POSITION	
Net investment in capital assets	33,750,243
Restricted	631,049
Unrestricted	<u>(16,000,959)</u>
Total net position	<u><u>\$ 18,380,333</u></u>

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

EXHIBIT B
TOWN OF WINDHAM, NEW HAMPSHIRE
Statement of Activities
For the Fiscal Year Ended December 31, 2020

		Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Change In Net Position
	Expenses				
General government	\$ 3,492,360	\$ 302,674	\$ -	\$ -	\$ (3,189,686)
Public safety	9,453,905	695,023	837,581	-	(7,921,301)
Highways and streets	3,824,574	-	341,687	655,348	(2,827,539)
Sanitation	1,416,658	119,890	-	-	(1,296,768)
Health	35,162	-	-	-	(35,162)
Welfare	64,838	7,504	-	-	(57,334)
Culture and recreation	1,890,367	61,558	-	-	(1,828,809)
Conservation	28,277	-	-	-	(28,277)
Interest on long-term debt	101,856	-	-	-	(101,856)
Total governmental activities	<u>\$ 20,307,997</u>	<u>\$ 1,186,649</u>	<u>\$ 1,179,268</u>	<u>\$ 655,348</u>	<u>(17,286,732)</u>
General revenues:					
Taxes:					
Property					8,850,033
Other					392,450
Motor vehicle permit fees					4,143,174
Licenses and other fees					262,495
Grants and contributions not restricted to specific programs					875,175
Unrestricted investment earnings					50,348
Miscellaneous					532,134
Total general revenues					<u>15,105,809</u>
Change in net position					(2,180,923)
Net position, beginning					20,561,256
Net position, ending					<u>\$ 18,380,333</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, 2020

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 23,025,352	\$ 2,167,927	\$ 25,193,279
Investments	-	197,557	197,557
Taxes receivable	2,340,371	266,750	2,607,121
Accounts receivable (net)	237,290	1,106	238,396
Intergovernmental receivable	-	277,830	277,830
Interfund receivable	21,654	-	21,654
Prepaid items	14,165	-	14,165
Total assets	<u>\$ 25,638,832</u>	<u>\$ 2,911,170</u>	<u>\$ 28,550,002</u>
LIABILITIES			
Accounts payable	\$ 142,008	\$ -	\$ 142,008
Contracts payable	-	354,093	354,093
Intergovernmental payable	23,567,435	-	23,567,435
Interfund payable	-	21,654	21,654
Total liabilities	<u>23,709,443</u>	<u>375,747</u>	<u>24,085,190</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	216,305	-	216,305
Unavailable revenue - highway block grant	124,227	-	124,227
Total deferred inflows of resources	<u>340,532</u>	<u>-</u>	<u>340,532</u>
FUND BALANCES			
Nonspendable	14,165	458,743	472,908
Restricted	85,473	191,491	276,964
Committed	554,987	1,554,993	2,109,980
Assigned	566,615	330,196	896,811
Unassigned	367,617	-	367,617
Total fund balances	<u>1,588,857</u>	<u>2,535,423</u>	<u>4,124,280</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 25,638,832</u>	<u>\$ 2,911,170</u>	<u>\$ 28,550,002</u>

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

EXHIBIT C-2
TOWN OF WINDHAM, NEW HAMPSHIRE
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
December 31, 2020

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

Total fund balances of governmental funds (Exhibit C-1)		\$ 4,124,280
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.		
Cost	\$ 85,241,430	
Less accumulated depreciation	<u>(47,654,538)</u>	
		37,586,892
Pension and other postemployment benefit (OPEB) related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources related to pensions	\$ 4,794,271	
Deferred inflows of resources related to pensions	(721,702)	
Deferred outflows of resources related to OPEB	123,554	
Deferred inflows of resources related to OPEB	<u>(386,208)</u>	
		3,809,915
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (21,654)	
Payables	<u>21,654</u>	
		-
Property taxes are recognized on an accrual basis in the Statement of Net Position and on a modified accrual basis in the governmental funds.		
Deferred inflows of resources - property taxes	\$ 209,642	
Allowance for uncollectible property taxes	<u>(125,000)</u>	
		84,642
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(41,255)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Bond	\$ 2,270,000	
Notes	870,297	
Unamortized bond premium	301,933	
Capital leases	394,419	
Compensated absences	1,598,659	
Net pension liability	19,490,607	
Other postemployment benefits	<u>2,258,226</u>	
		<u>(27,184,141)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ 18,380,333</u></u>

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

EXHIBIT C-3
TOWN OF WINDHAM, NEW HAMPSHIRE
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2020

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 9,050,546	\$ 219,851	\$ 9,270,397
Licenses and permits	4,405,669	-	4,405,669
Intergovernmental	2,054,443	655,348	2,709,791
Charges for services	825,255	361,394	1,186,649
Miscellaneous	291,327	271,155	562,482
Total revenues	<u>16,627,240</u>	<u>1,507,748</u>	<u>18,134,988</u>
EXPENDITURES			
Current:			
General government	3,342,302	60,725	3,403,027
Public safety	8,140,909	546,488	8,687,397
Highways and streets	1,205,226	655,348	1,860,574
Sanitation	1,468,813	-	1,468,813
Health	35,162	-	35,162
Welfare	64,838	-	64,838
Culture and recreation	1,582,067	63,810	1,645,877
Conservation	2,361	25,916	28,277
Debt service:			
Principal	293,866	76,079	369,945
Interest	140,799	-	140,799
Capital outlay	1,136,123	195,342	1,331,465
Total expenditures	<u>17,412,466</u>	<u>1,623,708</u>	<u>19,036,174</u>
Deficiency of revenues under expenditures	<u>(785,226)</u>	<u>(115,960)</u>	<u>(901,186)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	204,990	-	204,990
Transfers out	-	(204,990)	(204,990)
Bond proceeds	80,000	300,000	380,000
Capital lease	411,000	-	411,000
Total other financing sources (uses)	<u>695,990</u>	<u>95,010</u>	<u>791,000</u>
Net change in fund balances	(89,236)	(20,950)	(110,186)
Fund balances, beginning	1,678,093	2,556,373	4,234,466
Fund balances, ending	<u>\$ 1,588,857</u>	<u>\$ 2,535,423</u>	<u>\$ 4,124,280</u>

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

EXHIBIT C-4
TOWN OF WINDHAM, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2020

Net change in fund balances of governmental funds (Exhibit C-3)		\$ (110,186)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year. as follows:		
Capitalized capital outlay	\$ 1,924,871	
Depreciation expense	<u>(2,356,240)</u>	
		(431,369)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (204,990)	
Transfers out	<u>204,990</u>	
		-
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Change in deferred tax revenue and allowance for uncollectible property taxes		(27,914)
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Proceeds of debt	\$ (380,000)	
Inception of capital lease	(411,000)	
Repayment of bond principal	211,500	
Repayment of note principal	158,445	
Repayment of capital leases	299,863	
Amortization of bond premium	<u>21,567</u>	
		(99,625)
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	\$ 17,376	
Increase in compensated absences payable	(214,734)	
Net change in net pension liability, and deferred outflows and inflows of resources related to pensions	(1,423,498)	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>109,027</u>	
		(1,511,829)
Changes in net position of governmental activities (Exhibit B)		<u><u>\$ (2,180,923)</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, 2020

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 8,966,629	\$ 9,022,632	\$ 56,003
Licenses and permits	4,364,510	4,405,669	41,159
Intergovernmental receivable	1,543,063	2,054,443	511,380
Charges for services	881,100	825,255	(55,845)
Miscellaneous	223,390	263,127	39,737
Total revenues	15,978,692	16,571,126	592,434
EXPENDITURES			
Current:			
General government	3,279,964	3,329,886	(49,922)
Public safety	7,955,510	7,872,832	82,678
Highways and streets	1,180,080	1,080,366	99,714
Sanitation	1,251,380	1,325,890	(74,510)
Health	50,475	35,162	15,313
Welfare	45,540	64,838	(19,298)
Culture and recreation	1,684,845	1,542,090	142,755
Conservation	6,910	2,361	4,549
Debt service:			
Principal	351,037	293,866	57,171
Interest	78,553	140,799	(62,246)
Capital outlay	738,770	871,398	(132,628)
Total expenditures	16,623,064	16,559,488	63,576
Excess (deficiency) of revenues over (under) expenditures	(644,372)	11,638	656,010
OTHER FINANCING SOURCES (USES)			
Transfers in	254,990	295,891	40,901
Transfers out	(75,000)	(76,296)	(1,296)
Bond proceeds	80,000	80,000	-
Total other financing sources (uses)	259,990	299,595	39,605
Net change in fund balances	\$ (384,382)	311,233	\$ 695,615
Increase in nonspendable fund balance		(14,165)	
Increase in abatement contingency		(391,421)	
Unassigned fund balance, beginning, as restated (see Note 18)		546,612	
Unassigned fund balance, ending		\$ 452,259	

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

EXHIBIT E-1
TOWN OF WINDHAM, NEW HAMPSHIRE
Fiduciary Funds
Statement of Fiduciary Net Position
December 31, 2020

	Private Purpose Trust Funds	All Custodial Funds
ASSETS		
Cash and cash equivalents	\$ 30,665	\$ 1,464,070
Intergovernmental receivable	-	23,227,341
Total assets	<u>30,665</u>	<u>24,691,411</u>
LIABILITIES		
Intergovernmental payables:		
School	<u>-</u>	<u>23,227,341</u>
NET POSITION		
Restricted	<u>\$ 30,665</u>	<u>\$ 1,464,070</u>

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

EXHIBIT E-2
TOWN OF WINDHAM, NEW HAMPSHIRE
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Fiscal year Ended December 31, 2020

	Private Purpose Trust Funds	All Custodial Funds
ADDITIONS		
Contributions	\$ -	\$ 900,154
Investment earnings	4	3,396
Tax collections for other governments	-	49,361,291
Total additions	4	50,264,841
DEDUCTIONS		
Payments of taxes to other governments	-	49,361,291
Payments to other governments	-	1,274,944
Payments for escrow purposes	-	227,721
Total deductions	-	50,863,956
Change in net position	4	(599,115)
Net position, beginning	30,661	2,063,185
Net position, ending	\$ 30,665	\$ 1,464,070

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, 2020

	NOTE
Summary of Significant Accounting Policies	1
Reporting Entity	1-A
Basis of Accounting, and Measurement Focus	1-B
Cash and Cash Equivalents	1-C
Investments	1-D
Receivables	1-E
Prepaid Items	1-F
Capital Assets	1-G
Interfund Activities	1-H
Property Taxes	1-I
Accounts Payable	1-J
Deferred Outflows/Inflows of Resources	1-K
Long-term Obligations	1-L
Compensated Absences	1-M
Defined Benefit Pension Plan	1-N
Postemployment Benefits Other Than Pensions	1-O
Net Position/Fund Balances	1-P
Use of Estimates	1-Q
Stewardship, Compliance, and Accountability	2
Budgetary Information	2-A
Budgetary Reconciliation to GAAP Basis	2-B
Accounting Change	2-C

DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents	3
Investments	4
Taxes Receivable	5
Other Receivables	6
Capital Assets	7
Interfund Balances and Transfers	8
Intergovernmental Payables	9
Deferred Outflows/Inflows of Resources	10
Capital Leases	11
Short-term Debt	12
Long-term Liabilities	13
Defined Benefit Pension Plan	14
Supplemental Retirement Plan	15
Postemployment Benefits Other Than Pensions	16
New Hampshire Retirement System (NHRS)	16-A
Town of Windham Retiree Health Benefit Program	16-B
Encumbrances	17
Prior Period Adjustment	18

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

Governmental Activities and Fiduciary Funds Net Position	19
Governmental Fund Balances	20
Risk Management.....	21
Contingent Liabilities.....	22
Performance Deposits	23
Health Insurance	24
COVID-19	25
Tax Abatements.....	26
Subsequent Events.....	27

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1-A Reporting Entity

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

1-B Basis of Accounting and Measurement Focus

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

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

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

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

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

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

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.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

The Town reports the following major governmental fund:

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

Additionally, the Town reports the following fund types:

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

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

Permanent Fund – are held in the custody of the Trustees of Trust Funds and are used to account for resources held in trust for use by the Town. These can include legal trusts for which the interest on the corpus provides funds for the Town’s cemetery operations.

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

Fiduciary Fund Financial Statements – Include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The Town’s fiduciary funds are private purpose trust and custodial funds, which are custodial in nature. These funds are accounted for on a spending, or “economic resources” measurement focus and the accrual basis of accounting.

The Town reports the following fiduciary funds:

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

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

1-C Cash and Cash Equivalents

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

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

1-D Investments

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

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

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

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

Any person who directly or indirectly receives any such funds or moneys for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the Town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

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

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

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

Level 3 – Inputs are significant unobservable inputs.

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

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

1-E Receivables

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

1-F Prepaid Items

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

1-G Capital Assets

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

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are carried at historical cost or estimated historical cost. When the cost of the capital assets cannot be determined from available records, estimated historical cost is used. Donated capital assets received on or prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

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

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

1-H 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-I Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year in accordance with RSA 76:15-a, *Semi-Annual Collection of Taxes in certain Towns and Cities*. Warrants for the year were issued on May 27, 2020 and November 30, 2020, and due on July 1, 2020 and December 30, 2020. Interest accrues at a rate of 8% on bills outstanding after the due date and 14% on tax liens outstanding. The Town placed a lien on all outstanding taxes from 2019 on April 13, 2020.

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, 2020 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 3,021,252,270
For all other taxes	\$ 3,059,617,070

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

The tax rates and amounts assessed for the year ended December 31, 2020 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$ 2.99	\$ 9,119,810
School portion:		
State of New Hampshire	1.84	5,560,588
Local	13.45	41,166,753
County portion	0.85	2,612,733
Precinct portions:		
Breezy Gale Village	0.91	19,110
Cobbetts Pond Village	-	-
Moeckel Pond Village	0.22	2,107
Total	<u>\$ 20.26</u>	<u>\$58,481,101</u>

1-J 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, 2020.

1-K 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. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year.

1-L Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Bond premiums are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the bond premium.

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

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

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

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

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

1-M Compensated Absences

The Town's policy allows certain employees to earn varying amounts of vacation and sick leave and personal time based on the employee's length of employment. Upon separation from service, employees are paid in full for any accrued leave earned as set forth by the Town's personnel policy. The liability for such leave 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.

1-N Defined Benefit Pension Plan

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

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

1-O Postemployment Benefits Other Than Pensions

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

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

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

1-P Net Position/Fund Balances

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

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

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

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

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

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

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

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

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

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

1-Q 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, taxes and ambulance receivables, and the useful lives of capital assets, net pension liability, other postemployment benefit liability, deferred outflows and inflows of resources related to both pension and other postemployment benefits, and accrued landfill closure and postclosure care costs, among others. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

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

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.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

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 2020, \$384,382 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

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

Differences between the budgetary basis and GAAP basis of accounting for the general fund are as follows:

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 16,947,017
Adjustments:	
Basis differences:	
Inception of capital lease	411,000
GASB Statement No. 54:	
To record revenue of the blended funds	28,200
To eliminate transfers between blended funds	(90,901)
Change in deferred tax revenue relating to 60-day revenue recognition recognized as revenue on the GAAP basis, but not on the budgetary basis	27,914
Per Exhibit C-3 (GAAP basis)	<u>\$ 17,323,230</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 16,635,784
Adjustments:	
Basis differences:	
Inception of capital lease	411,000
Encumbrances, beginning	592,445
Encumbrances, ending	(170,201)
GASB Statement No. 54:	
To record expenditures of the blended funds	19,734
To eliminate transfers between general and blended funds	(76,296)
Per Exhibit C-3 (GAAP basis)	<u>\$ 17,412,466</u>

2-C Accounting Change

Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, was implemented during fiscal year 2020. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosures in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

At December 31, 2021, the reported amount of the Town's deposits was \$26,688,014 and the bank balance was \$22,030,425. Of the bank balance, \$22,023,783 was covered by Federal Depository Insurance Corporation (FDIC) or by collateral held by the pledging bank in the Town's name, and \$6,642 was uninsured and uncollateralized. Petty cash totaled \$950.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 25,193,279
Cash per Statement of Fiduciary Net Position - Fiduciary Fund (Exhibit E-1)	1,494,735
Total cash and cash equivalents	<u>\$ 26,688,014</u>

NOTE 4 – INVESTMENTS

Note 1-D describes statutory requirements covering the investment of the Town funds. The Town holds investments that are measured at fair value on a recurring basis. Since 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 stock certificates that are reported at fair value, based on quoted market prices (Level 1). As of December 31, 2020, the Town had \$197,557 invested in original 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. The Treasurer and Selectboard investment policy states that 100% of the portfolio must have maturities of one year or less and 50% of that must have minimum maturities of 90 days or less. The Trustees of Trust funds investment policy does not directly address this risk.

Credit Risk – The Treasurer and Selectboard investment policy states that investments in bonds must have an investment grade rating issued by Moody's and S&P at minimums of As2 and AA, respectively. The Trustees of Trust funds investment policy does not directly address this risk.

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

Concentration of Credit Risk – The Town places no limit on the amount it may invest in any one issuer. More than 5% of the Town's investments are in Allied Signal, which are 96% of the Town's total investments.

NOTE 5 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2020. The amount has been reduced by an allowance for an estimated uncollectible amount of \$125,000.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

Taxes receivable by year are as follows:

	As reported on:	
	Exhibit A	Exhibit C-1
Property:		
Levy of 2020	\$1,731,309	\$1,731,309
Unredeemed (under tax lien):		
Levy of 2019	324,136	324,136
Levy of 2018	224,621	224,621
Levies of 2017 and prior	60,305	60,305
Land use change	266,750	266,750
Less: allowance for estimated uncollectible taxes	(125,000) *	-
Net taxes receivable	<u>\$2,482,121</u>	<u>\$2,607,121</u>

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

NOTE 6 – OTHER RECEIVABLES

Receivables at December 31, 2020, consisted of accounts (billings for police details, ambulance, franchise fees, and other user charges) and intergovernmental amounts arising from grants. Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

Receivables as of December 31, 2020 for the Town's individual major funds in the aggregate including applicable allowances for uncollectible accounts are as follows:

	General Fund	Nonmajor Funds	Total	Fiduciary Funds
Receivables:				
Accounts	\$ 286,047	\$ 1,106	\$ 287,153	\$ -
Intergovernmental	-	277,830	277,830	23,227,341
Gross receivables	<u>286,047</u>	<u>278,936</u>	<u>564,983</u>	<u>23,227,341</u>
Less: allowance for uncollectibles	<u>(48,757)</u>	<u>-</u>	<u>(48,757)</u>	<u>-</u>
Net total receivables	<u>\$ 237,290</u>	<u>\$ 278,936</u>	<u>\$ 516,226</u>	<u>\$ 23,227,341</u>

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

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 is as follows:

	Balance, beginning	Additions	Deletions	Balance, ending
At cost:				
Not being depreciated:				
Land	\$15,664,814	\$ -	\$ -	\$15,664,814
Construction in progress	<u>149,244</u>	<u>195,342</u>	<u>(149,244)</u>	<u>195,342</u>
Total capital assets not being depreciated	<u>15,814,058</u>	<u>195,342</u>	<u>(149,244)</u>	<u>15,860,156</u>

(continued)

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

Capital assets continued:

	Balance, beginning	Additions	Deletions	Balance, ending
Being depreciated:				
Land improvements	1,789,923	179,689	-	1,969,612
Buildings and building improvements	9,096,028	87,867	-	9,183,895
Vehicles and equipment	8,506,318	806,625	-	9,312,943
Infrastructure	48,110,232	804,592	-	48,914,824
Total capital assets being depreciated	67,502,501	1,878,773	-	69,381,274
Total all capital assets	83,316,559	2,074,115	(149,244)	85,241,430
Less accumulated depreciation:				
Land improvements	(1,552,933)	(51,054)	-	(1,603,987)
Buildings and building improvements	(5,193,553)	(225,304)	-	(5,418,857)
Vehicles and equipment	(4,900,286)	(682,275)	-	(5,582,561)
Infrastructure	(33,651,526)	(1,397,607)	-	(35,049,133)
Total accumulated depreciation	(45,298,298)	(2,356,240)	-	(47,654,538)
Net book value, capital assets being depreciated	22,204,203	(477,467)	-	21,726,736
Net book value, all governmental activities capital assets	\$38,018,261	\$ (282,125)	\$ (149,244)	\$37,586,892

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	\$ 43,336
Public safety	170,993
Highways and streets	1,926,666
Sanitation	71,943
Culture and recreation	143,302
Total depreciation expense	<u>\$ 2,356,240</u>

NOTE 8 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of December 31, 2020 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor	<u>\$ 21,654</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, 2020 is as follows:

	Transfers In:
	General
	Fund
Transfers out:	
Nonmajor fund	<u>\$ 204,990</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.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

NOTE 9 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments at December 31, 2020 consist of the following:

	Governmental Fund General	Fiduciary Funds
Miscellaneous fees due to the State of New Hampshire	\$ 8,291	\$ -
Balance due to the New Hampshire Retirement System	331,803	-
Property taxes due to the custodial funds	23,227,341 ²	-
Property taxes due to the Windham School District	-	23,227,341 ³
Total intergovernmental payables due	<u>\$23,567,435</u>	<u>\$23,227,341</u>

2. Property taxes due to the custodial funds represent amounts collected by the Town of behalf of the Windham School District and are reported as a component of general fund cash at year-end.
3. Property taxes due to Windham School District represent amounts collected by the Town that will be paid to the School District in incremental payments based upon an agreed schedule in the next calendar year.

NOTE 10 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources are as follows:

	Government- wide
Amounts related to pensions, see Note 14	\$ 4,794,271
Amounts related to OPEB, see Note 15	123,554
Total deferred outflows of resources	<u>\$ 4,917,825</u>

Deferred inflows of resources are as follows:

	Government- wide	General Fund
Property taxes not collected within 60 days of the fiscal year-end	\$ -	\$209,642
Property taxes collected in advance of commitment	6,663	6,663
Additional Highway block grant money received and not yet expended	124,227	124,227
Amounts related to pensions, see Note 14	721,702	-
Amounts related to OPEB, see Note 15	386,208	-
Total deferred inflows of resources	<u>\$1,238,800</u>	<u>\$340,532</u>

NOTE 11 – CAPITAL LEASES

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

	Standard Interest Rate	Present Value of Remaining Payments as of December 31, 2020
Capital lease obligations:		
Interceptor and Utility Truck	3.29%	\$ 29,314
Ambulance	2.63%	90,940
Loader, Trailer, and 2 Police Vehicles	2.04%	274,165
Total capital lease obligations		<u>\$ 394,419</u>

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

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

	Governmental Activities
Equipment:	
Interceptor and Utility Truck	\$ 70,928
Ambulance	257,112
Loader, Trailer, and 2 Police Vehicles	411,000
Total equipment	739,040
Less: accumulated depreciation	80,762
Total capital lease equipment	<u>\$ 658,278</u>

The annual requirements to amortize the capital leases payable as of December 31, 2020, including interest payments, are as follows:

Fiscal Year Ending December 31,	Governmental Activities
2021	\$ 264,891
2022	141,285
Total requirements	406,176
Less: interest	11,757
Present value of remaining payments	<u>\$ 394,419</u>

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

NOTE 12 – SHORT-TERM DEBT

Changes in the Town's short-term borrowings during the year ended December 31, 2020 consisted of the following:

Governmental Activities	Original Issue	Interest Rate	Balance January 1, 2020	Additions	Deletions	Balance December 31, 2020
TAN - Northway Bank	\$ 4,000,000	1.80%	\$ -	\$ 1,200,000	\$(1,200,000)	\$ -
TAN - Enterprise Bank	2,000,000	3.13%	-	2,000,000	(2,000,000)	-
Total short-term borrowings	<u>\$ 6,000,000</u>		<u>\$ -</u>	<u>\$ 3,200,000</u>	<u>\$(3,200,000)</u>	<u>\$ -</u>

The purpose of the short-time borrowings was to provide for interim financing of general fund operations. Interest paid on the short-term borrowings totaled \$4,435 at December 31, 2020.

NOTE 13 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended December 31, 2020:

	Balance January 1, 2020	Additions	Reductions	Balance December 31, 2020	Due Within One Year	Due in More Than One Year
Bonds payable:						
Direct placement	\$ 2,481,500	\$ -	\$ (211,500)	\$ 2,270,000	\$ 205,000	\$ 2,065,000
Premium	323,500	-	(21,567)	301,933	21,567	280,366
Total bonds payable	<u>2,805,000</u>	<u>-</u>	<u>(233,067)</u>	<u>2,571,933</u>	<u>226,567</u>	<u>2,345,366</u>

(continued)

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

Long-term liabilities continued:

	Balance January 1, 2020	Additions	Reductions	Balance December 31, 2020	Due Within One Year	Due in More Than One Year
Direct borrowings - Notes payable	648,742	380,000	(158,445)	870,297	145,192	725,105
Capital leases	283,282	411,000	(299,863)	394,419	255,954	138,465
Compensated absences	1,383,925	214,734	-	1,598,659	60,557	1,538,102
Net pension liability	14,157,985	5,332,622	-	19,490,607	-	19,490,607
Net other postemployment benefits	2,261,801	67,321	(70,896)	2,258,226	-	2,258,226
Total long-term liabilities	<u>\$ 21,542,755</u>	<u>\$ 6,405,677</u>	<u>\$ (762,271)</u>	<u>\$ 27,186,161</u>	<u>\$ 688,270</u>	<u>\$ 26,495,871</u>

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

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2020
Bond payable:					
Direct placement:					
Land / Water-line / Truck	\$ 2,481,500	2019	2034	2.13	<u>\$ 2,270,000</u>
Notes payable:					
Direct borrowings:					
Aerial Truck	\$ 850,000	2017	2027	2.45	490,297
Searles Building Renovation	\$ 300,000	2020	2032	2.30	300,000
Rail Trail Improvements	\$ 80,000	2020	2022	1.80	80,000
					<u>870,297</u>
Bond premium					<u>301,933</u>
Total					<u>\$ 3,442,230</u>

The annual requirements to amortize all general obligation bonds/notes outstanding as of December 31, 2020, including interest payments, are as follows:

Fiscal Year Ending December 31,	Direct Placement			Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 205,000	\$ 99,495	\$ 304,495	\$ 145,192	\$ 20,741	\$ 165,933
2022	165,000	89,040	254,040	149,214	17,088	166,302
2023	165,000	80,625	245,625	111,629	13,728	125,357
2024	165,000	72,210	237,210	114,329	11,027	125,356
2025	165,000	63,795	228,795	117,095	8,261	125,356
2026-2030	785,000	196,065	981,065	177,222	15,446	192,668
2031-2034	620,000	42,818	662,818	55,616	1,926	57,542
Totals	<u>\$ 2,270,000</u>	<u>\$ 644,048</u>	<u>\$ 2,914,048</u>	<u>\$ 870,297</u>	<u>\$ 88,217</u>	<u>\$ 958,514</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.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

Bonds/Notes Authorized and Unissued – Bonds and notes authorized and unissued as of December 31, 2020 were as follows:

Per Town Meeting Vote of	Purpose	Unissued Amount
March 10, 2015	Fire Engine/Tanker Truck	\$ 9,714
March 12, 2019	MSDC from Southern NH Regional Water Line	35,000
March 12, 2019	Tractor Truck for Transfer Station	6,500
		<u>\$ 51,214</u>

NOTE 14 – DEFINED BENEFIT PENSION PLAN

Plan Description – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers a 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 within the State are eligible and required to participate in the Pension Plan. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

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

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

Group II benefits are provided based on age, years of creditable service and benefit multiplier depending on vesting status as of 1/1/12. The maximum retirement allowance for Group II members vested by 1/1/12 (45 years of age with 20 years of service or age 60 regardless of years of creditable service) is the average final compensation multiplied by 2.5% multiplied by creditable service.

For Group II members not vested by 1/1/12 the benefit is calculated the same way, but the multiplier used in the calculation will change depending on age and years of creditable service as follows:

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

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

Contributions - The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. Group I (employee and teacher) members are required to contribute 7% of earnable compensation and Group II (police and fire) members contribute 11.55% and 11.80% respectively. For fiscal year 2020, the Town contributed 24.77% for police, 26.43% for fire and 10.88% for other employees. The contribution requirement for the fiscal year 2020 was \$1,356,011, which was paid in full.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At December 31, 2020 the Town reported a liability of \$19,490,607 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020, the Town's proportion was .30472399% which was an increase of .0104804% from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the Town recognized pension expense of \$2,780,288. At December 31, 2020 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 399,070	\$ 512,429
Changes in assumptions	1,928,008	-
Net difference between projected and actual investment earnings on pension plan investments	1,205,515	-
Differences between expected and actual experience	526,341	209,273
Contributions subsequent to the measurement date	735,337	-
Total	<u>\$ 4,794,271</u>	<u>\$ 721,702</u>

The \$735,337 reported as deferred outflows of resources related to pensions results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. 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,	
2021	\$ 525,294
2022	814,791
2023	999,782
2024	997,365
Thereafter	-
Totals	<u>\$ 3,337,232</u>

Actuarial Assumptions – The collective total pension liability was based on the following assumptions:

Inflation:	2.0%
Salary increases:	5.6% average, including inflation
Wage inflation	2.75% (2.25% for teachers)
Investment rate of return:	6.75% net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2016 – June 30, 2019.

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

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

Following is a table presenting target allocations and geometric real rates of return for each asset class:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return
		2020
Large Cap Equities	22.50%	3.71%
Small/Mid Cap Equities	7.50%	4.15%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	3.96%
Emerging Int'l Equities	7.00%	6.20%
Total international equity	20.00%	
Core Bonds	9.00%	0.42%
Global Multi-Sector Fixed Income	10.00%	1.66%
Absolute Return Fixed Income	6.00%	0.92%
Total fixed income	25.00%	
Private equity	10.00%	7.71%
Private debt	5.00%	4.81%
Total alternative investments	15.00%	
Real estate	10.00%	2.95%
Total	100.00%	

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

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

Actuarial Valuation Date	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
June 30, 2020	\$ 25,232,403	\$ 19,490,607	\$ 14,798,799

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 15 – SUPPLEMENTAL RETIREMENT PLAN

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

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

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 2020 were \$2,855,800 or 38.6% of total wages of \$7,399,440. Employee contributions included additional voluntary contributions to the plan were \$145,808 or 5.1% of covered wages.

NOTE 16 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

16-A New Hampshire Retirement System (NHRS)

Plan Description – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system which administers a cost-sharing multiple-employer other postemployment benefit (OPEB) plan. For additional system information, please refer to the 2019 Comprehensive Annual Financial Report, which can be found on the system's website at www.nhrs.org.

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

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

Maximum medical subsidy rates paid during fiscal year 2020 were as follows:

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

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

Contributions – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year 2018, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For fiscal year 2020, the Town contributed 3.66% for police and fire, and 0.29% for other employees. The contribution requirement for the fiscal year 2020 was \$159,697, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – At December 31, 2020, the Town reported a liability of \$1,501,059 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Town's proportion of the net OPEB liability was based on a projection of the Town's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2020, the Town's proportion was .34293534% which was a decrease of .01562189% from its proportion measured as of June 30, 2019.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

For the year ended December 31, 2020, the Town recognized OPEB expense of \$74,262. At December 31, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ -	\$ 8,524
Net difference between projected and actual investment earnings on OPEB plan investments	5,616	-
Changes in assumptions	9,651	-
Differences between expected and actual experience	-	4,349
Contributions subsequent to the measurement date	87,414	-
Total	<u>\$ 102,681</u>	<u>\$ 12,873</u>

The \$87,414 reported as deferred outflows of resources related to OPEB results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending December 31,	
2021	\$ (2,796)
2022	1,663
2023	1,982
2024	1,545
2025	-
Thereafter	-
Totals	<u>\$ 2,394</u>

Actuarial Assumptions – The collective total OPEB liability was based on the following actuarial assumptions:

Inflation:	2.0%
Salary increases:	5.6 % average, including inflation
Wage inflation:	2.75 % (2.25%) for teachers
Investment rate of return:	6.75 % net of OPEB plan investment expense, including inflation for determining solvency contributions

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2016 – June 30, 2019.

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

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

Following is a table presenting target allocations and geometric real rates of return for each asset class:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return 2020
Large Cap Equities	22.50%	3.71%
Small/Mid Cap Equities	7.50%	4.15%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	3.96%
Emerging Int'l Equities	7.00%	6.20%
Total international equity	20.00%	
Core Bonds	9.00%	0.42%
Global Multi-Sector Fixed Income	10.00%	1.66%
Absolute Return Fixed Income	6.00%	0.92%
Total fixed income	25.00%	
Private equity	10.00%	7.71%
Private debt	5.00%	4.81%
Total alternative investments	15.00%	
Real estate	10.00%	2.95%
Total	100.00%	

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2020 was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statutes RSA 100-A:16 and 100-A:53. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

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

Actuarial Valuation Date	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
June 30, 2020	\$ 1,629,993	\$ 1,501,059	\$ 1,389,118

Sensitivity of the Town's Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Assumption – GASB No.75 requires the sensitivity of the OPEB liability to the healthcare cost trend assumption. Since the medical subsidy benefits are fixed stipends, there is no sensitivity to changes in the healthcare cost trend assumption.

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

16-B Town of Windham Retiree Health Benefit Program

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

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

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

Employees Covered by Benefit Terms – At January 1, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	17
Active employees	82
Total participants covered by OPEB plan	<u>99</u>

Total OPEB Liability – The Town's total OPEB liability of \$757,167 was measured as of December 31, 2020 and was determined by an actuarial valuation as of January 1, 2019.

Actuarial Assumptions and Other Inputs – The total OPEB liability of \$757,167 in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate:	2.02%
Healthcare Cost Trend Rates:	
Current Year Trend	7.00%
Second Year Trend	6.75%
Decrement	0.25%
Ultimate Trend	4.50%
Year Ultimate Trend is Reached	2031
Salary Increases:	3.00%

Changes in the Total OPEB Liability

	December 31,	
	2019	2020
OPEB liability beginning of year	\$ 1,240,057	\$ 689,846
Changes for the year:		
Service cost	47,470	54,139
Interest	34,475	14,169
Assumption changes and difference between actual and expected experience	(513,371)	24,169
Benefit payments	(118,785)	(25,156)
OPEB liability end of year	<u>\$ 689,846</u>	<u>\$ 757,167</u>

Sensitivity of the Town's OPEB Liability to Changes in the Discount Rate – The January 1, 2019 actuarial valuation was prepared using a discount rate of 2.02%. If the discount rate were 1% higher than what was used the OPEB liability would decrease to \$730,709. If the discount rate were 1% lower than what was used the OPEB liability would increase to \$783,365.

	Discount Rate		
	1% Decrease	Baseline 2.02%	1% Increase
Total OPEB Liability	<u>\$ 783,365</u>	<u>\$ 757,167</u>	<u>\$ 730,709</u>

Sensitivity of the Town's OPEB Liability to Changes in the Healthcare Cost Trend Rates – The January 1, 2019 actuarial valuation was prepared using an initial trend rate of 7.00%. If the trend rate were 1% higher than what was used the OPEB liability would increase to \$822,159. If the trend rate were 1% lower than what was used the OPEB liability would decrease to \$699,180.

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 7.00%	1% Increase
Total OPEB Liability	<u>\$ 699,180</u>	<u>\$ 757,167</u>	<u>\$ 822,159</u>

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – For the year ended December 31, 2020, the Town recognized OPEB expense of \$1,586. At December 31, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 20,873	\$ 373,335

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

Fiscal Year Ending December 31,	
2021	\$ (66,722)
2022	(66,722)
2023	(66,722)
2024	(66,722)
2025	(66,722)
Thereafter	(18,852)
Totals	<u>\$ (352,462)</u>

NOTE 17 – ENCUMBRANCES

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at December 31, 2020 and are as follows:

General fund:	
General government	\$ 53,349
Highways and streets	36,380
Culture and recreation	16,897
Capital outlay	63,575
Total encumbrances	<u>\$ 170,201</u>

NOTE 18 – PRIOR PERIOD ADJUSTMENT

Fund balance at January 1, 2020 was restated to give retroactive effect to the following prior period adjustment:

	General Fund (Exhibit D)
To restate for the non-lapsing warrant article not reported as committed fund balance	\$ (214,150)
Net position, as previously reported	760,762
Net position, as restated	<u>\$ 546,612</u>

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

NOTE 19 – GOVERNMENTAL ACTIVITIES AND FIDUCIARY FUNDS NET POSITION

Net position reported on the government-wide and fiduciary funds Statements of Net Position at December 31, 2020 include the following:

	Governmental Activities	Fiduciary Funds
Net investment in capital assets:		
Net book value, all governmental activities capital assets	\$ 37,586,892	\$ -
Less:		
General obligation bond payable	(2,270,000)	-
Unamortized bond premium	(301,933)	-
Note payable	(870,297)	-
Capital leases payable	(394,419)	-
Total net investment in capital assets	<u>33,750,243</u>	<u>-</u>
Restricted net position:		
Nonexpendable permanent funds	458,743	-
Expendable permanent funds	86,833	-
Library	84,502	-
Searles donation	971	-
Individuals, organizations, and other governments	-	1,494,735
Total restricted net position	<u>631,049</u>	<u>1,494,735</u>
Unrestricted	(16,000,959)	-
Total net position	<u>\$ 18,380,333</u>	<u>\$ 1,494,735</u>

NOTE 20 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2020 include the following:

	General Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:			
Prepaid items	\$ 14,165	\$ -	\$ 14,165
Permanent funds - principal balance	-	458,743	458,743
Total nonspendable fund balance	<u>14,165</u>	<u>458,743</u>	<u>472,908</u>
Restricted:			
Library	84,502	-	84,502
Searles donation	971	-	971
Searles building	-	104,658	104,658
Permanent funds - income balance	-	86,833	86,833
Total restricted fund balance	<u>85,473</u>	<u>191,491</u>	<u>276,964</u>

(continued)

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

Governmental fund balances continued:

	General Fund	Nonmajor Funds	Total Governmental Funds
Committed:			
Expendable trust	482,412	-	482,412
Non-lapsing appropriations	72,575	-	72,575
Public safety details	-	92,501	92,501
Recreation revolving	-	11,446	11,446
Land purchase and conservation	-	980,184	980,184
Cable and health expendable trust	-	85,167	85,167
Public safety impact fees	-	332,832	332,832
Searles fund	-	11	11
Fire cistern	-	2,016	2,016
Forest maintenance	-	50,836	50,836
Total committed fund balance	554,987	1,554,993	2,109,980
Assigned:			
Encumbrances	97,626	-	97,626
Abatement contingency	456,421	-	456,421
Law enforcement	989	-	989
Exaction fees	11,579	-	11,579
Cable and health expendable trust	-	330,196	330,196
Total assigned fund balance	566,615	330,196	896,811
Unassigned	367,617	-	367,617
Total governmental fund balances	\$ 1,588,857	\$ 2,535,423	\$ 4,124,280

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 2020, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2020 to December 31, 2020 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 workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. In 2020 the Town paid \$108,770 and \$228,475 respectively, to Primex for property, liability, and worker's compensation. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

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

NOTE 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.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

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 credits and surety bonds they are not included as part of the financial statements. As of December 31, 2020, the Town held performance deposits totaling \$2,352,556.

NOTE 24 – HEALTH INSURANCE

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

Expenditures during 2020 were \$371,816 for health insurance premiums and \$66 in administrative expenses. Claims are reviewed by an outside claim administrator and then paid by the Town. At December 31, 2020, the unexpended balance of the health insurance expendable trust is \$87,310. No outstanding claims were reported at December 31, 2020.

NOTE 25 – COVID-19

As a result of the spread of COVID-19, Coronavirus, economic uncertainties continue. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

On March 27, 2020, the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment from these funds be used only to cover expenses that; are necessary expenditures incurred due to the public health emergency with respect to COVID-19; were not accounted for in the budget approved for 2020; and were incurred during the period that begins on March 1, 2020 and ends on December 31, 2020. The Town was awarded a portion of this federal funding totaling \$487,598. In addition to funding from the CARES Act, there are several other federal and state grants available.

The full extent of the financial impact cannot be determined as of the date of the financial statements.

NOTE 26 – TAX ABATEMENTS

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

NOTE 27 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through January 25, 2023, the date the December 31, 2020 financial statements were available to be issued, and the following occurred that requires recognition or disclosure:

At the 2022 Annual Town Meeting, held on March 9, 2021, the residents of the Town approved Warrant Article No. 3 authorizing the issuance of bonds or notes not to exceed \$750,000 for a new fire engine. Additionally, the residents of the Town approved Warrant Article No. 4 authorizing the issuance of bonds or notes not to exceed \$240,520 for a new plow truck.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT F
TOWN OF WINDHAM, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of Net Pension Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2020
Unaudited

	December 31,							
	2013	2014	2015	2016	2017	2018	2019	2020
Town's proportion of the net pension liability	0.30684318%	0.31828660%	0.31721457%	0.32000614%	0.31738896%	0.30429281%	0.29424359%	0.30472399%
Town's proportionate share of the net pension liability	\$13,205,482	\$11,947,160	\$12,566,541	\$17,016,632	\$15,609,215	\$14,652,315	\$14,157,985	\$19,490,607
Town's covered pay roll (as of measurement date)	\$5,710,821	\$5,972,552	\$6,054,805	\$6,045,748	\$6,201,605	\$6,151,550	\$6,580,040	\$6,580,040
Town's proportionate share of the net pension liability as a percentage of its covered payroll	231.24%	200.03%	207.55%	281.46%	251.70%	238.19%	215.17%	296.21%
Plan fiduciary net position as a percentage of the total pension liability	59.81%	66.32%	65.47%	58.30%	62.66%	64.73%	65.59%	58.72%

EXHIBIT G
TOWN OF WINDHAM, NEW HAMPSHIRE
Schedule of Town Contributions - Pensions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2020
Unaudited

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

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

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

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits F and G represent the actuarial determined costs associated with the Town's pension plan at December 31, 2020. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2020:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	20 years beginning July 1, 2019 (30 years beginning July 1, 2009)
Asset Valuation Method	5-year smooth market for funding purposes: 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year (3.00% for teachers) in the 2017 valuation
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	2.45% per year
Investment Rate of Return	7.25% per year, net of investment expenses, including inflation
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Based on the 2010-215 experience study.
Mortality	RP-2014 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the 2010-2015 experience study.

Other Information:

Notes	The board has adopted new assumptions based on the 2015-2019 experience study effective for employer contributions in the 2022-23 biennium.
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EXHIBIT H
TOWN OF WINDHAM, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefits Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2020
Unaudited

	December 31,				
	2016	2017	2018	2019	2020
Town's proportion of the net OPEB liability	0.25761318%	0.25901938%	0.37320346%	0.35855723%	0.34293534%
Town's proportionate share of the net OPEB liability (asset)	\$ 1,247,119	\$ 1,184,325	\$ 1,708,696	\$ 1,571,955	\$ 1,501,059
Town's covered payroll (as of measurement date)	\$ 6,045,748	\$ 6,201,615	\$ 6,151,550	\$ 6,580,040	\$ 6,580,040
Town's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	20.63%	19.10%	27.78%	23.89%	22.81%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%	7.75%	7.74%

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

EXHIBIT I
TOWN OF WINDHAM, NEW HAMPSHIRE
Schedule of Town Contributions - Other Postemployment Benefits
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2020
Unaudited

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

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

EXHIBIT J
TOWN OF WINDHAM, NEW HAMPSHIRE
Schedule of Changes in the Town's Total Other Postemployment Benefits Liability and Related Ratios
Retiree Health Benefit Program
For the Fiscal Year Ended December 31, 2020

	December 31,		
	2018	2019	2020
OPEB liability, beginning of year	\$ 1,288,962	\$ 1,240,057	\$ 689,846
Changes for the year:			
Service cost	27,681	47,470	54,139
Interest	42,054	34,475	14,169
Assumption changes and difference between actual and expected experience	-	(513,371)	24,169
Benefit payments	(118,640)	(118,785)	(25,156)
OPEB liability, end of year	<u>\$ 1,240,057</u>	<u>\$ 689,846</u>	<u>\$ 757,167</u>
Covered payroll	<u>\$ 5,118,564</u>	<u>\$ 6,299,911</u>	<u>\$ 6,299,911</u>
Total OPEB liability as a percentage of covered payroll	24.23%	10.95%	12.02%

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

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFIT LIABILITY
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

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

As required by GASB Statement No. 75, Exhibits H and I represent the actuarial determined costs associated with the Town's other postemployment benefits at December 31, 2020. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

The following assumptions were changed in the current year:

- Reduced the assumed rate of investment return from 7.25% to 6.75%
- Reduced the wage inflation from 3.25% to 2.75% (2.25% for teachers)
- Reduced price inflation from 2.5% to 2.0%
- Updated economic assumptions, including merit and longevity salary increases, disability rates, retirement rates, and mortality tables (specifically the new public pension plan mortality tables).

Methods and Assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	Not applicable under statutory funding
Asset Valuation Method	5-year smooth market: 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year (3.00% for teachers) in the 2017 valuation
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	2.45% per year
Investment Rate of Return	7.25% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions
Funding Discount Rate	3.25% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Based on the 2010-2015 experience study.
Mortality	RP-2014 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the 2010-2015 experience study.

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

As required by GASB Statement No. 75, Exhibit J represents the actuarial determined costs associated with the Town's other postemployment benefits at December 31, 2020. The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
TOWN OF WINDHAM, NEW HAMPSHIRE
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2020

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 8,779,167	\$ 8,850,033	\$ 70,866
Yield	3,155	-	(3,155)
Boat	14,520	14,117	(403)
Payment in lieu of taxes	10,772	-	(10,772)
Interest and penalties on taxes	159,015	158,482	(533)
Total from taxes	<u>8,966,629</u>	<u>9,022,632</u>	<u>56,003</u>
Licenses, permits, and fees:			
Motor vehicle permit fees	4,102,600	4,143,174	40,574
Building permits	162,120	199,142	37,022
Other	99,790	63,353	(36,437)
Total from licenses, permits, and fees	<u>4,364,510</u>	<u>4,405,669</u>	<u>41,159</u>
Intergovernmental:			
State:			
Shared revenues	96,700	96,700	-
Meals and rooms distribution	748,515	748,515	-
Highway block grant	341,725	341,687	(38)
Federal:			
CARES and COVID-19 grants	356,123	867,541	511,418
Total from intergovernmental	<u>1,543,063</u>	<u>2,054,443</u>	<u>511,380</u>
Charges for services:			
Income from departments	<u>881,100</u>	<u>825,255</u>	<u>(55,845)</u>
Miscellaneous:			
Sale of municipal property	7,750	53,671	45,921
Interest on investments	52,570	50,216	(2,354)
Other	163,070	159,240	(3,830)
Total from miscellaneous	<u>223,390</u>	<u>263,127</u>	<u>39,737</u>
Other financing sources:			
Transfers in	254,990	295,891	40,901
Bond proceeds and premium on bonds issued	80,000	80,000	-
Total other financing sources	<u>334,990</u>	<u>375,891</u>	<u>40,901</u>
Total revenues and other financing sources	<u>16,313,682</u>	<u>\$ 16,947,017</u>	<u>\$ 633,335</u>
Unassigned fund balance used to reduce tax rate	<u>384,382</u>		
Total revenues, other financing sources, and use of fund balance	<u>\$ 16,698,064</u>		

See Independent Auditor's Report.

SCHEDULE 2
TOWN OF WINDHAM, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2020

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 3,330	\$ 3,107	\$ -	\$ 223
Election and registration	-	51,140	27,827	-	23,313
Financial administration	56,665	1,590,205	1,555,111	47,149	44,610
Revaluation of property	2,900	208,095	217,984	-	(6,989)
Legal	-	51,900	111,583	-	(59,683)
Planning and zoning	-	564,790	555,012	-	9,778
General government buildings	-	424,410	422,734	-	1,676
Cemeteries	6,200	41,450	40,647	6,200	803
Insurance, not otherwise allocated	-	340,645	391,622	-	(50,977)
Other	-	3,999	16,675	-	(12,676)
Total general government	65,765	3,279,964	3,342,302	53,349	(49,922)
Public safety:					
Police	-	3,489,335	3,432,816	-	56,519
Fire	-	3,924,030	3,918,323	-	5,707
Building inspection	-	5,700	-	-	5,700
Emergency management	-	12,470	9,717	-	2,753
Other	-	523,975	511,976	-	11,999
Total public safety	-	7,955,510	7,872,832	-	82,678
Highways and streets:					
Highways and streets	161,240	1,162,250	1,185,719	36,380	101,391
Street lighting	-	17,830	19,507	-	(1,677)
Total highways and streets	161,240	1,180,080	1,205,226	36,380	99,714
Sanitation:					
Solid waste disposal	-	1,251,380	1,325,890	-	(74,510)
Health:					
Health agencies	-	50,475	35,162	-	15,313
Welfare:					
Administration and direct assistance	-	45,540	64,838	-	(19,298)
Culture and recreation:					
Parks and recreation	22,430	255,600	230,787	-	47,243
Library	4,350	1,292,345	1,210,643	-	86,052
Other	10,360	136,900	120,903	16,897	9,460
Total culture and recreation	37,140	1,684,845	1,562,333	16,897	142,755
Conservation	-	6,910	2,361	-	4,549
Debt service:					
Principal of long-term debt	-	351,037	293,866	-	57,171
Interest on long-term debt	-	78,053	135,223	-	(57,170)
Interest on tax anticipation notes	-	500	5,576	-	(5,076)
Total debt service	-	429,590	434,665	-	(5,075)
Capital outlay	328,300	738,770	1,136,123	63,575	(132,628)
Other financing uses:					
Transfers out	-	75,000	76,296	-	(1,296)
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 592,445	\$ 16,698,064	\$ 17,058,028	\$ 170,201	\$ 62,280

See Independent Auditor's Report.

SCHEDULE 3
TOWN OF WINDHAM, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended December 31, 2020

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis), as restated (see Note 18)		\$ 546,612
Changes:		
Unassigned fund balance used to reduce 2020 tax rate		(384,382)
2020 Budget summary:		
Revenue surplus (Schedule 1)	\$ 633,335	
Unexpended balance of appropriations (Schedule 2)	<u>62,280</u>	
2020 Budget surplus		695,615
Increase in nonspendable fund balance		(14,165)
Increase in abatement contingency		<u>(391,421)</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		452,259
Reconciliation on Non-GAAP Budgetary Basis to GAAP Basis		
To record deferred property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis		(209,642)
Elimination of the allowance for uncollectible taxes		<u>125,000</u>
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		<u><u>\$ 367,617</u></u>

SCHEDULE 4
TOWN OF WINDHAM, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2020

	Special Revenue Funds				
	Public Safety Detail	Recreation Revolving	Land Purchase Conservation	Cable and Health Expendable Trust	Public Safety Impact Fees
ASSETS					
Cash and cash equivalents	\$ 91,395	\$ 30,959	\$ 713,434	\$ 417,504	\$ 332,832
Investments	-	-	-	-	-
Taxes	-	-	266,750	-	-
Accounts receivable	1,106	-	-	-	-
Intergovernmental receivable	-	-	-	-	-
Total assets	<u>\$ 92,501</u>	<u>\$ 30,959</u>	<u>\$ 980,184</u>	<u>\$ 417,504</u>	<u>\$ 332,832</u>
LIABILITIES					
Contract payable	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund payable	-	19,513	-	2,141	-
Total liabilities	<u>-</u>	<u>19,513</u>	<u>-</u>	<u>2,141</u>	<u>-</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	92,501	11,446	980,184	85,167	332,832
Assigned	-	-	-	330,196	-
Total fund balances	<u>92,501</u>	<u>11,446</u>	<u>980,184</u>	<u>415,363</u>	<u>332,832</u>
Total liabilities and fund balances	<u>\$ 92,501</u>	<u>\$ 30,959</u>	<u>\$ 980,184</u>	<u>\$ 417,504</u>	<u>\$ 332,832</u>

Special Revenue Funds			Capital Project Funds			Total
Searles Fund	Fire Cistern	Forest Maintenance	Castle Hill Bridge	Searles Building	Permanent Fund	
\$ 11	\$ 2,016	\$ 50,836	\$ 76,263	\$ 104,658	\$ 348,019	\$ 2,167,927
-	-	-	-	-	197,557	197,557
-	-	-	-	-	-	266,750
-	-	-	-	-	-	1,106
-	-	-	277,830	-	-	277,830
<u>\$ 11</u>	<u>\$ 2,016</u>	<u>\$ 50,836</u>	<u>\$ 354,093</u>	<u>\$ 104,658</u>	<u>\$ 545,576</u>	<u>\$ 2,911,170</u>
\$ -	\$ -	\$ -	\$ 354,093	\$ -	\$ -	\$ 354,093
-	-	-	-	-	-	21,654
-	-	-	354,093	-	-	375,747
-	-	-	-	-	458,743	458,743
-	-	-	-	104,658	86,833	191,491
11	2,016	50,836	-	-	-	1,554,993
-	-	-	-	-	-	330,196
<u>11</u>	<u>2,016</u>	<u>50,836</u>	<u>-</u>	<u>104,658</u>	<u>545,576</u>	<u>2,535,423</u>
<u>\$ 11</u>	<u>\$ 2,016</u>	<u>\$ 50,836</u>	<u>\$ 354,093</u>	<u>\$ 104,658</u>	<u>\$ 545,576</u>	<u>\$ 2,911,170</u>

See Independent Auditor's Report.

SCHEDULE 5
TOWN OF WINDHAM, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2020

	Special Revenue Funds				
	Public Safety Detail	Recreation Revolving	Land Purchase Conservation	Cable and Health Expendable Trusts	Public Safety Impact Fees
REVENUES					
Taxes	\$ -	\$ -	\$ 219,851	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Charges for services	299,836	61,558	-	-	-
Miscellaneous	125	4	3,255	102,809	115,609
Total revenues	299,961	61,562	223,106	102,809	115,609
EXPENDITURES					
Current:					
General government	-	-	-	47,633	-
Public safety	322,682	-	-	-	223,806
Highways and streets	-	-	-	-	-
Culture and recreation	-	63,810	-	-	-
Conservation	-	-	25,916	-	-
Debt service:					
Principal	-	-	-	-	76,079
Capital outlay	-	-	-	-	-
Total expenditures	322,682	63,810	25,916	47,633	299,885
Excess (deficiency) of revenues over (under) expenditures	(22,721)	(2,248)	197,190	55,176	(184,276)
OTHER FINANCING SOURCES (USES)					
Transfers out	-	-	(204,990)	-	-
Debt proceeds	-	-	-	-	-
Total other financing sources (uses)	-	-	(204,990)	-	-
Net change in fund balances	(22,721)	(2,248)	(7,800)	55,176	(184,276)
Fund balances, beginning	115,222	13,694	987,984	360,187	517,108
Fund balances, ending	\$ 92,501	\$ 11,446	\$ 980,184	\$ 415,363	\$ 332,832

Special Revenue Funds			Capital Project Funds			Total
Searles Fund	Fire Cistern	Forest Maintenance	Castle Hill Bridge	Searles Building	Permanent Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 219,851
-	-	-	655,348	-	-	655,348
-	-	-	-	-	-	361,394
2,106	7	168	-	-	47,072	271,155
2,106	7	168	655,348	-	47,072	1,507,748
8,471	-	421	-	-	4,200	60,725
-	-	-	-	-	-	546,488
-	-	-	655,348	-	-	655,348
-	-	-	-	-	-	63,810
-	-	-	-	-	-	25,916
-	-	-	-	-	-	76,079
-	-	-	-	195,342	-	195,342
8,471	-	421	655,348	195,342	4,200	1,623,708
(6,365)	7	(253)	-	(195,342)	42,872	(115,960)
-	-	-	-	-	-	(204,990)
-	-	-	-	300,000	-	300,000
-	-	-	-	300,000	-	95,010
(6,365)	7	(253)	-	104,658	42,872	(20,950)
6,376	2,009	51,089	-	-	502,704	2,556,373
\$ 11	\$ 2,016	\$ 50,836	\$ -	\$ 104,658	\$ 545,576	\$ 2,535,423

See Independent Auditor's Report.

SCHEDULE 6
TOWN OF WINDHAM, NEW HAMPSHIRE
Custodial Funds
Combining Schedule of Fiduciary Net Position
December 31, 2020

	Custodial Funds					
	Taxes	School Trust Funds	School Impact Fees	Subdivision Fees	Road Bonds and Escrows	Total
ASSETS						
Cash and cash equivalents	\$ -	\$ 641,278	\$ 185,441	\$ 84,320	\$ 553,031	\$ 1,464,070
Intergovernmental receivable	23,227,341	-	-	-	-	23,227,341
Total assets	<u>\$ 23,227,341</u>	<u>\$ 641,278</u>	<u>\$ 185,441</u>	<u>\$ 84,320</u>	<u>\$ 553,031</u>	<u>\$ 24,691,411</u>
LIABILITIES						
Intergovernmental payables:						
School	<u>\$ 23,227,341</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,227,341</u>
NET POSITION						
Restricted	-	641,278	185,441	84,320	553,031	1,464,070
Total liabilities and net position	<u>\$ 23,227,341</u>	<u>\$ 641,278</u>	<u>\$ 185,441</u>	<u>\$ 84,320</u>	<u>\$ 553,031</u>	<u>\$ 24,691,411</u>

See Independent Auditor's Report.

SCHEDULE 7
TOWN OF WINDHAM, NEW HAMPSHIRE
Custodial Funds
Combining Schedule of Changes in Fiduciary Net Position
For the Fiscal Year Ended December 31, 2020

	Custodial Funds					
	Taxes	School Trust Funds	School Impact Fees	Subdivision Fees	Road Bonds and Escrows	Total
ADDITIONS						
Contributions	\$ -	\$ 450,000	\$ 264,205	\$ 48,054	\$ 137,895	\$ 900,154
Investment earnings	-	1,148	-	-	2,248	3,396
Tax collections for other governments	49,361,291	-	-	-	-	49,361,291
Total additions	49,361,291	451,148	264,205	48,054	140,143	50,264,841
DEDUCTIONS						
Payments of taxes to other governments	49,361,291	-	-	-	-	49,361,291
Payments to other governments	-	890,562	384,382	-	-	1,274,944
Payments for escrow purposes	-	-	-	29,176	198,545	227,721
Total deductions	49,361,291	890,562	384,382	29,176	198,545	50,863,956
Change in net position	-	(439,414)	(120,177)	18,878	(58,402)	(599,115)
Net position, beginning	-	1,080,692	305,618	65,442	611,433	2,063,185
Net position, ending	\$ -	\$ 641,278	\$ 185,441	\$ 84,320	\$ 553,031	\$ 1,464,070

See Independent Auditor's Report.

***INDEPENDENT AUDITOR'S REPORTS AND
SINGLE AUDIT ACT SCHEDULES***



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, major fund, and the aggregate remaining fund information of the Town of Windham, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Town of Windham's basic financial statements, and have issued our report thereon dated January 25, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Windham's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Windham's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Windham's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2020-001 and 2020-002 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Windham's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Windham's Response to Finding

The Town of Windham's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Town of Windham's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Town of Windham

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sheryl A. Platt, CPA

January 25, 2023
Concord, New Hampshire

PLODZIK & SANDERSON
Professional Association



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Windham's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on of the Town of Windham's major federal program for the year ended December 31, 2020. The Town of Windham's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town of Windham's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Windham's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Town of Windham's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Windham complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of the Town of Windham is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Windham's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Windham's internal control over compliance.

Town of Windham

***Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control
Over Compliance Required by the Uniform Guidance***

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

January 25, 2023
Concord, New Hampshire

Sheryl A. Platt, CPA

PLODZIK & SANDERSON
Professional Association

SCHEDULE I
TOWN OF WINDHAM
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:
Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? X yes no

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X no

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in
accordance with 2 CFR 200.516(a)? yes X no

Identification of major federal programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.019	COVID-19 – Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and
type B programs: \$750,000

Auditee qualified as low-risk auditee? yes X no

SECTION II - FINANCIAL STATEMENT FINDINGS

**Auditor
Reference
Number**

SIGNIFICANT DEFICIENCIES

2020-001 Balance Sheet Reconciliation and Special Revenue Fund Trial Balances

Criteria: Accounting tasks such as monthly reconciliations play a key role in proving the accuracy of accounting data and information included in interim financial statements. In addition to monthly bank reconciliations for cash accounts, the Town should also be periodically reconciling the rest of its balance sheet accounts in each fund to ensure they are fairly stated. Additionally, annual trial balances or other equivalent summaries should be prepared for all funds not maintained in the general ledger and provided for external audit.

SCHEDULE I (continued)
TOWN OF WINDHAM
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2020

Condition: We noted that many of the balance sheet accounts in the general ledger are not being periodically reconciled. Many accounts balances were the same as in the prior year and were updated throughout the audit process. No trial balances or equivalent summaries were prepared and provided for the annual audit.

Cause: Unknown.

Effect: The lack of reconciliations has the potential to cause serious errors in the financial records and financial statements. There is also a substantial risk that irregularities such as fraud and misappropriation could occur and because there is no reliable system of detection, could go undetected. Without reliable fund trial balances, additional audit time is necessary to perform otherwise basic audit procedures.

Recommendation: We recommend the Town review all of its balance sheet accounts on a monthly basis to ensure that all balances are correct and that no discrepancies occur. Additionally, we recommend that individual fund trial balances are prepared for each fund maintained outside of the general ledger and provided for the annual audit.

Management Response: The Town plans to review and reconcile the balance sheet accounts on a monthly basis going forward. The Town also intends to transition the accounting of all funds into the general ledger to ensure the reporting of all funds are consistent.

2020-002 Stock Certificates

Criteria: Investments in common stocks should be held in book form, rather than physical stock certificates.

Condition: The Town Trustees of Trust Funds are holding physical stock certificates related to certain investments held in the permanent funds. At year-end, the fair market value of these securities was \$197,557.

Cause: Unknown.

Effect: Physical certificates are at an increased risk of loss or theft as compared to securities held in book form. In addition, the related stock dividends are paid via check and must be deposited into the permanent fund investment accounts, which creates an additional concern that all dividends are being deposited and credited to the appropriate permanent fund accounts.

Recommendation: We recommend that the Trustees of Trust Funds take the necessary steps to convert the stock certificates into book form and deposit them on account with the current permanent trust custodian.

Management Response: The Town will work with the Trustees of the Trust Funds to convert the stock certificates into book form and deposit them on account with the current permanent trust custodian.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

SCHEDULE II
TOWN OF WINDHAM, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended December 31, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Provided to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION				
Passed Through the New Hampshire Department of Safety				
HIGHWAY SAFETY CLUSTER				
State and Community Highway Safety	20.600	#20-200	\$ -	\$ 6,034
U.S. DEPARTMENT OF TREASURY				
Passed Through the New Hampshire Governor's Office for Emergency Relief and Recovery (GOFERR)				
COVID-19 - Coronavirus Relief Fund:				
First Responder Stipend	21.019	N/A	-	118,486
Municipal Aid	21.019	N/A	-	347,000
<i>CLUSTER TOTAL</i>			-	465,486
U.S. ELECTION ASSISTANCE COMMISSION				
Passed Through the New Hampshire Secretary of State's Office				
COVID-19 - HAVA Election Security Grants	90.404	DC20101CARES	-	7,720
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed Through the New Hampshire Department of Safety				
COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4516-DR-NH	-	14,392
Homeland Security Grant Program	97.067	N/A	-	5,946
DIRECT FUNDING				
U.S. DEPARTMENT OF HOMELAND SECURITY				
Assistance to Firefighters Grant Program	97.044	N/A	-	47,524
Staffing for Adequate Fire and Emergency Response (SAFR)	97.083	N/A	-	303,603
Total Expenditures of Federal Awards			\$ -	\$ 850,705

The accompanying notes are an integral part of this schedule.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Town of Windham under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Windham, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town of Windham.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

The Town of Windham has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.